

FAR EASTERN ECONOMIC REVIEW

Vol. XIX

Hongkong, December 29, 1955

No. 26

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ECONOMICS OF PUBLIC UTILITIES IN HONGKONG

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1. INTRODUCTION

With the exception of the water supply, the radio, the post office and the railways, all the public utilities in Hongkong are private enterprises which are given monopoly rights under lease or franchise. Almost all of them were established before the Pacific War during which their services were either suspended or continued by the Japanese. Severe losses and damages were suffered due to lack of repair, insufficient maintenance, destruction or removal of equipment and plants. Consequently, large scale rehabilitation was necessary before services could be resumed. To meet the heavy costs of repairs and the expansion which was stimulated by the rapidly growing demand for services in inflationary conditions, all undertakings increased their capital in the postwar years by issuing new shares or bonus shares. Immediately after the war, following the Government's policy of a low cost of living, charges for services had to be low, often out of proportion with the increased operating costs. Fortunately, this did not cause much hardship because the demand for services increased tremendously due to the influx of population and the over-all economic expansion in the Colony.

This is the sixth article in the series of Mr. Szczepanik's Studies on the Economic Structure of Hongkong. Cf. this Review of October 28th, Nov. 11th and Dec. 16th 1954, and July 17th and Sept. 29th 1955.

In the year 1953/54, the Government's royalties from the bus, tramway, ferry and telephone undertakings amounted to \$12,838,596.36, i.e. approximately 3% of the total ordinary revenue of the Government during that period. The shares of the two motor bus companies are in private hands of the few founders, whereas the shares of the gas company, which were formerly quoted in London, are now owned by a large local holding company. With these exceptions, all the other public utility undertakings have their shares quoted on the Stock Exchange. These shares have contributed greatly to the volume of Stock Exchange transactions in the postwar period.

2. ELECTRICITY

Electricity in Hongkong was first supplied in 1889 when the Hongkong Electric Co., Ltd. was incorporated on 24th January with a capital of \$300,000 divided into 30,000 shares of \$10 each. It was then stationed in Wanchai with two 25 KWH steam sets. In December of the same year, electricity was supplied only for street lighting under Government contract and for a pump to raise water to the Peak. In 1921, the company acquired the site in North Point where it is located at present. By December 1941, the generating capacity had increased to 54,000 KWH. After the end of Japanese occupation war-losses were estimated at HK\$5¼

million which was about one-third of the issued capital. At the end of 1954, the generating capacity was 72,500 KWH and during 1955 a new 20,000 KWH turbine had to be added. The issued capital was \$35,000,000. This company supplies electricity only on the Island whereas on the mainland it is supplied by the China Light and Power Co., Ltd.

The China Light & Power Co., registered in Hongkong on 25th January, 1901, was initially established to supply electricity for Canton. In anticipation of the future economic importance of Kowloon, the company opened a station in Kowloon in 1903. In 1909 it sold all the plant and equipment in Canton to a Chinese company. From this date onwards its business was confined to the Kowloon peninsula. It was first located in Chatham Road. The present site at Hok Un was acquired in 1918. Having started with a capital of \$300,000 in 1901, the company experienced financial difficulties and no regular dividend was paid until 1930 when the capital, by gradual and periodical increases, had been raised to \$10,000,000 and only after that year regular dividends were distributed. In 1938, the authorized capital was \$15,000,000 while at present it stands at \$100,000,000 of which \$42,000,000 was issued. In 1913 the company served only an area of two sq. miles with 670 consumers and its output for the year was 500,000 KWH, while by 1953/54, the area it served was over 200 sq. miles with 55,980 consumers and an annual output of approximately 313,000,000 KWH. Its present generating capacity is 87,500 KWH.

Within less than seventy years, the two companies have developed to such an extent that their output per capita is only below that of Japan among all the East Asian countries. In 1952, the electricity output per capita in Japan was 446 KWH (1/8 of the Canadian production) and in Hongkong it was 163 KWH.* Thus the electricity output per capita in Japan was about 2.7 times that in Hongkong but it is necessary to take into account the warmer climate in winter and the longer daytime enjoyed in Hongkong which considerably reduces the consumption of electricity for heating and lighting purposes. Following Hongkong were Singapore, Malaya and the Philippines where the electricity consumption per capita was 158.3, 120 and 23.9 KWH respectively. In 1954, the total production of electricity in Hongkong was 491,643,362 KWH, of which 346,183,915 KWH were for power and bulk-supply consumers. Assuming that the population was 2¼ million, the per capita consumption was about 220 KWH.

The increase of electricity consumption in the Colony was the result of the rapid growth of population, the development of new industries, an intensive building activity, and a wider use of electric domestic appliances. With new and improved equipment and thermo-generating plants the two com-

panies are capable to meet adequately the present demand.

The following table shows the spectacular increase in the production of electricity in Hongkong in the postwar period:

Table 1
PRODUCTION OF ELECTRICITY IN HONGKONG, 1947-1954

Year	Production (KWH)	Index (1948=100)
1947	91,047,643	60.57
1948	150,312,003	100.00
1949	217,664,796	144.81
1950	293,502,332	195.25
1951	353,675,220	235.29
1952	391,372,682	260.37
1953	436,122,346	290.14
1954	491,643,362	327.08

Source: Government Gazette Supplement No. 4.

Table 2
CHARGES FOR ELECTRICITY IN 1941, 1946 AND 1954 (IN HK CENTS)

H.K. Electric Co.	1941	1946	1954
Light (per unit)	16 c	48 c	28 c-15.4 c
Power (per unit)	5½ c	16½ c	12 c-11.4 c
China Light & Power Co.			
For Kowloon: Light (per unit)	18 c+10%	71.28 c	30 c
Power	7 c+10%	27.72 c	14 c
Cooking/Heating	5 c+10%	19.80 c	13 c
For New Territories :			
Light	—	—	39 c
Power	—	—	14 c
Cooking/Heating	—	—	13 c

In both companies, discount and special rates are quoted for bulk consumers and fuel surcharges, varying with the cost of fuel, are added. In 1954 the fuel surcharge was 9 per cent.

3. GAS

The gas company, under the name of Hongkong and China Gas Company, Ltd., was established in 1861 to supply gas on the Hongkong Island and the service was extended to the mainland in 1892. Unlike other public utilities in Hongkong which are independent enterprises, the Gas Company is a dependent one. Until recently, it was a subsidiary company of a large gas company in London. The shares were all dealt in London. In 1954, they were taken over by a large holding company in Hongkong which involved a change in the management.

The gas manufactured and distributed in 1954 was 584,805,700 cubic feet. Of this, only 34,744,900 cubic feet were for industrial purposes, 30,710,800 cubic feet for public lighting and the rest, 519,350,000 cubic feet, being 89% of the total, was for domestic use. The place of gas in public lighting is gradually being taken over by electricity as more electric lamps are being set up to replace the old gas lamps. Owing to its high cost compared with other fuels, only a limited number of homes is equipped with gas. The present scale of charges is \$13.- per 1,000 cubic feet on the first 10,000 cubic feet, on the first 10,000 cubic feet, \$12.50 on the next 15,000 and \$12.- on the next 25,000 cubic feet. For

* Cf. "Electric Power in Far East", Far Eastern Economic Review, October 9th, 1952.

consumption exceeding 50,000 cubic feet the rate of \$11.50 per 1,000 cubic feet is charged.

The following table illustrates the growth of gas output in the postwar period:

Table 3
GAS MANUFACTURE & DISTRIBUTION IN HONGKONG, 1947-1954

Year	Manufacture & Distribution (cubic feet)	Index (1948=100)
1947	220,343,508	76.65
1948	287,468,496	100.00
1949	393,307,600	136.82
1950	491,414,600	170.95
1951	549,129,700	191.02
1952	573,211,100	199.40
1953	584,726,500	203.40
1954	584,805,700	203.43

Source: Government Gazette Supplement No. 4.

4. WATER SUPPLY

The Colony's water supply is under the control of the Public Works Department of the Government. There are no large rivers or under-ground sources of water and the Colony has to depend on the collection of rain water in thirteen reservoirs between May and September. There is little rain during the remainder of the year.

The total capacity of the existing reservoirs is 5,970 million gallons, of which 2,362 million are on the Island. Of the remaining 3,608 million gallons on the mainland, 2,921 are contained in the Jubilee Reservoir at Shing Mun. The large postwar increase in the population of the Colony has resulted in a demand which is well in excess of the available resources and has necessitated the introduction of restrictions in the hours of supply. Works have commenced on a new source of supply in Tai Lam Chung Valley, and it is anticipated that water will be available from this source in 1956.

The following table illustrates the volume of water consumption in the Colony in the postwar period:

Table 4
CONSUMPTION OF WATER IN HONGKONG, 1946-1954

Year	Consumption in Million Gallons (rounded to 100)	Index (1948=100)
1946/47	10,500	90
1947/48	11,700	100
1948/49	11,400*	98
1949/50	12,500*	107
1950/51	12,200	104
1951/52	12,000	103
1952/53	12,000	103
1953/54	13,500	116

Source: Annual Departmental Reports of the Director of Public Works Department.

All water is filtered and chlorinated and the supplies metered. The present cost is 80 cents per 1,000 gallons for domestic or industrial purposes and \$2.00 per 1,000 gallons for shipping or constructional purposes.

* Some 200 million gallons are added for the consumption of water in New Territories villages. The official figures for years other than 1948/49 and 1949/50 included the consumption of water in New Territories villages.

5. SEA TRANSPORT

The ferries, which provide transport services between the Island and the mainland, are operated by two independent companies: The "Star" Ferry, Co., Ltd. (established in the 1890's) and the Hongkong & Yaumati Ferry Co., Ltd. (established in 1924). They charge 20 cents for first class and 10 cents for the second class fare for services within the harbour. These fares are said to be the cheapest in the world.*

In spite of these low rates, the "Star" Ferry, which operates only one route between the south end of the Kowloon peninsula and the water-front of the Victoria City, a distance of approximately one mile, had made a net profit of \$1,108,420.39 in 1954 by carrying about 36 million passengers in 130,804 crossings. Therefore, on the average, without deducting the minor income from outside investments, each passenger contributed 3 cents to the net profit of the company in every crossing; and in each crossing the company acquired a net profit of about eight dollars. Although the company is making annual profits of over one million dollars each year, its paid up capital is only \$800,000.

The following tables illustrate the changes in the company's cost, earnings and fares between the prewar period and 1950.

Table 5
"STAR" FERRY COSTS AND EARNING

Period	Cost per Passenger	Operating costs	Revenue per passenger	Ferry earnings
Prewar	100	100	100	100
1950	351	986	222	606

Source: The Harbour Ferry Services Advisory Committee Report 1951.

As a result of these changes the minimum number of passengers required to cover the operating costs only (no profit to the company) increased from 6,050,000 p.a. (prewar period) to 26,800,000 p.a. in 1950.

Table 6
CHANGES IN FARES CHARGED BY THE "STAR" FERRY

Fare	Prewar	1950	Increase	Percentage of total traffic
1st class adult	10 c	20 c	100%	38%
1st class juvenile	5 c	10 c	100%	
2nd class	4 c	10 c	150%	24%
Single Monthly Ticket (1st class)	\$6	\$6	—	38%

Combining all classes in proportions given in the last column of Table 6, the overall increase in fares in 1950 was 90% prewar level. With the exception of monthly tickets, costing now \$8 per month, there has been no change in fares since 1950.

A fair proportion of the passengers belonging to low-income group has to take bus or ferry or both from their homes to offices or other places of work. The table below reveals that in extreme cases as much as 25% of a \$120 monthly income may be absorbed by bus and ferry fares.

Table 7
PERCENTAGE OF FERRY & BUS FARES TO INCOME
(Monthly basis)

Income	Ferry Fare (Monthly ticket)	Bus Fare (1 month = 30 days)			
	\$8.00	\$12.00	\$18.00	\$24.00	
\$120	6%	10%	15%	20%	
\$150	5%	8%	12%	16%	
\$200	4%	6%	9%	12%	

* Cf. Hongkong Annual Report 1952.

Thus, in spite of the very low level of ferry rates, they are still a heavy burden to some sections of the population which have to travel every day across the harbour.

The Hongkong and Yaumati Ferry Co., Ltd. was founded in 1924 with only eleven small wooden boats to run three routes, namely from the Island of Hongkong to Mongkok, Shumshuipo and Yaumati. The routes from the Island to other parts of the mainland and the neighbouring islands were added later and in 1932 the vehicular ferry was introduced. These vehicular and outlying districts services contributed a great deal to the development of the New Territories, particularly the islands of Cheung Chau and Lantau. By 1955, the Company had 41 vessels in operation (6 vehicular and 35 passenger ferries) and was considered the largest ferry fleet under single ownership in the British Commonwealth. The Company made annual profits of over 5 million HK dollars in each of the recent years with its paid up capital of \$3,360,000. In 1954, about 75 million passengers and over 1.1 million vehicles were carried by the "H Y F" ferries.

Assuming that the passenger traffic contributed to the net profits of this company at the same rate as the "Star" Ferry, i.e. at 3 cents per passenger, the profit due to this traffic would amount to \$2½ million. The remainder, i.e. \$2¼ million, would be the contribution made by the vehicular traffic, i.e. each vehicle transported would contribute about \$2.50 to the net profits of the Hongkong & Yaumati Ferry Co. But it is likely that the contribution of each passenger to the net profit of Hongkong & Yaumati Ferry Co. was more than 3 cents. If so, the net profit on each car transported might be around 2 dollars.

The following table illustrates the volume of services rendered by the ferries in the Colony in the postwar period:

Table 8
PASSENGERS CARRIED BY THE FERRIES IN 1948-1954
(in millions)

Year	"Star" Ferry	HY Ferry	Total	Index of Total (1948 = 100)
1948	28	35	63	100
1949	35	42	177	122
1950	37	65	102	162
1951	38	67½	105½	167
1952	36	71	107	170
1953	36	75	111	176
1954	35	75	110	175

Source: Government Annual Reports and information provided by the companies.

If 1951 is taken as a 100, the index of total passenger-traffic for 1954 would be 104.2. This would mean that the increase of the volume of traffic between 1950 and 1954 was only 4.2%. The volume of ferry-traffic is sometimes considered as a good index of the rate of population growth. For 1951, the official Government estimate of total population was 2,015,000. On the basis of the ferry-index, the 1954 population would be only 2,095,000. If this is corrected for children who do not travel (or do not pay) it would be reasonable to assume that the population in Hongkong was in 1954 about 2,120,000.*

6. LAND TRANSPORT

(i) Roads

Hongkong is a mountainous area with sheer cliffs and jutting spurs. These conditions are not conducive to road building and a large amount of blasting and cutting has been necessary in order to lay road foundations. Climatic conditions, too, are a governing factor in road maintenance, as the torrential summer rains are liable to cause serious damage to any road surface that has been neglected. In spite of these natural disadvantages Hongkong has a good road system, consisting of 437 miles of roads, 182 miles of which are on the Island, 114 in Kowloon and 141 in the New Territories. About 94% of these roads are of modern metalled construction which makes their upkeep expensive: it costs the Colony approximately £300,000 p.a.

Since the end of the war there has been a large increase in the number of motor vehicles in Hongkong. According to a recent traffic census there are 44 motor vehicles to every mile of road, which causes congestion and bottlenecks especially in the rush hours. Parking in any large town is always a problem, and Hongkong is no exception. Various methods of solving it are discussed. A bold proposal to "helicopterize" Hongkong was recently put forward by Prof. E. S. Kirby.†

(ii) Buses and Trams

The bus services in the Colony are provided by two companies: the Kowloon Motor Bus Company (1933) Ltd. on the Peninsula and the China Motor Bus Company Ltd. on the Island. As there is no tram service on the mainland, the Kowloon Bus Company is responsible for the low cost of transportation in the comparatively large urban district of Kowloon as well as in the New Territories. The relative importance of the two companies can be assessed from the royalty paid to the Government. In 1953/54, the royalty paid by the Kowloon Bus Company was \$5,917,849.56 whereas the royalties paid by the China Bus Company and by the Tramways Company on the Island amounted to only \$3,686,898.82.

The bus fare in Kowloon is 10 cents for every section of one mile and 20 cents for the whole journey of any length within the urban area, whereas in the New Territories different rates are charged according to the distance. In 1954, the Kowloon Bus Company, with 370 buses rendered services to 172½ million passengers and covered 17¼ million miles.

On the Hongkong Island, with the competition of tramways and the smaller area, the China Motor Bus Company, operating 188 buses in the same year, covered only 7.4 million miles for 47.7 million passengers, excluding monthly ticket holders. The fare is usually 20 cents, with higher rates for outlying districts.

The Hongkong Tramways, Ltd. which operated 120 cars in the urban district on a track of about 19½ miles, carried 142 million passengers and covered 6 million miles in 1954, charging 20 cents for a first class ticket and 10 cents for a third class ticket.

The following table illustrates the services rendered by bus and tramway companies in the Colony in the postwar period:‡

* Cf. Far Eastern Economic Review, 29th September, 1955: The Hongkong Population Puzzle. In this article I pointed out that the 1951 official estimate was the best ever produced after the war and, tentatively, I suggested 2,120,000 as a reasonable estimate for 1954. Ferry figures do not give any justification to the claim that the population of the Colony in 1954 was approaching 3 million.

† Cf. Far Eastern Economic Review, November 4th, 1954.

‡ Bus and tramway traffic figures indicate that the growth of the population was far greater than it would result from the ferry figures. This proves that economic indices in a demographic analysis may be very misleading.

Table 9
PASSENGERS AND MILEAGE SERVED BY BUS AND TRAMS, 1946—1954
(No. of passengers in millions, index in brackets)
1948=100

Year	Tramways		China Motor Bus Co.		Kowloon Motor Bus Co.	
	Passengers	Mileage	Passengers	Mileage	Passengers	Mileage
1946	50 (57)	2½	—	—	—	—
1947	66 (75)	3¼	—	—	—	—
1948	88 (100)	4¼	20.0 (100)	3	56½ (100)	9.6
1949	109 (124)	4¼	36.0 (180)	4½	90 (159)	11¼
1950	112 (127)	4¼	43.6 (218)	5.3	123¼ (218)	13
1951	134 (152)	5.1/3	46.1 (230)	6.1	145 (257)	14½
1952	134 (152)	5.1/3	49.2 (246)	6.8	148½ (262)	15½
1953	137 (156)	6	49.7 (248)	7.3	168¾ (299)	16½
1954	142 (161)	6	47.7 (238)	7.4	172½ (305)	17¾

Source: Government Annual Reports and information provided by the companies.

The Peak Tramway Co., Ltd., which was first known as the Hongkong High Level Tramway, was founded in May, 1888. Until the opening of Stubbs Road in 1924 and the subsequent construction of the Magazine Gap Road, the Peak tramway was almost the only means of traffic to the Peak and its services contributed much to the development of the Peak area. Since then, the importance of this service declined; at present, as Peak residents usually own private cars, it serves mainly workers, servants school children and weekenders. This route goes up to a point on the Victoria Peak, 1,300 feet above sea level and the first class charge is 60 cents for the whole journey. It is an important attraction to tourists visiting the Colony.

(iii) Railways

The Kowloon-Canton Railway, the only railway in the Colony, is a Government owned enterprise. The Kowloon railway station is the southern terminus of what used to be since 1910 a railway system running between Kowloon, Canton, Hankow and Shanghai, with connection from these cities to the continent of Europe. But since the Central People's Government took over the administration of Canton late in 1949, passengers travelling to and from the interior have had to change trains at the border between the Colony and China. Goods traffic in wagon loads, however, operates from and to Chinese territory without trans-shipment, only small consignments in less than complete wagon loads have to be trans-shipped and carried over the frontier. The British section of this railway, from Kowloon to the border town of Lowu, is only twenty-two miles long.

The gauge, the standard size for all China, is 4 ft. 8½ in. Until recently only steam engines were used to drive the trains from the frontier to Kowloon but these are expensive and unsatisfactory for short runs, as the time spent standing in steam is extremely high in proportion to the actual mileage covered. In view of this, the Government acquired from an Australian firm two diesel electric locomotives so that a gradual change from steam to diesel traction can be made. A shortage of passenger coaches is also being remedied.

There are terminal facilities and accommodation in Kowloon and the railway is linked by connections to Holt's Wharf and the Hongkong and Kowloon Wharf and Godown Co., Ltd. There is also a link from the railway workshops into the Hongkong and Whampoa Dock Company with access to the Dock Company's 100 ton crane. There are approximately ten miles of sidings between Kowloon and Hung Hom where the workshops are situated. These workshops are well equipped and capable of carrying out all railway repairs. Considerable technical and mechanical work is carried out in them for other Government departments.

The following table illustrates the volume of services rendered by the Kowloon-Canton Railway in the postwar period:

Table 10
SERVICES OF THE KOWLOON-CANTON RAILWAY, 1946—1955

Year	Passenger Service		Goods Service	
	Number of passengers carried	Passengers Kilometres	Number of Kilograms carried	Kilograms Kilometres
1946/47	1,854,550	58,418,024	191,497,073	6,743,084,518
1947/48	2,875,990	86,282,895	122,219,398	4,308,416,803
1948/49	3,878,906	116,249,064	80,097,510	2,813,627,998
1949/50	5,264,430	182,500,547	104,297,710	3,118,907,905
1950/51	6,055,398	152,517,659	371,789,620	12,885,417,936
1951/52	3,512,835	69,483,037	236,878,240	4,707,955,020
1952/53	3,613,593	70,893,590	264,602,350	5,258,971,707
1953/54	4,113,604	111,813,891	174,719,860	5,834,678,874
1954/55	3,867,509	73,191,204	128,753,270	3,980,678,418

Source: Annual Departmental Reports by the General Manager, Railway, for the financial years 1946—1955.

7. COMMUNICATIONS

Besides water supply, the telephone service is another public utility in the Colony that cannot meet all the public demand although the exchange lines have been extended by 1955 to a total number of 33,568 and 15,374 extensions (total of 47,710 subscribers) as compared with 19,100 lines in 1941 and 16,357 subscribers in 1946. The telephone services in the Colony are provided by the Hongkong Telephone Co., Ltd. The subscription is charged on a flat scale under residential and business rates. The former rates (\$225 p.a.) are lower than the business rates (\$300 p.a.). Telecommunications and radio-telephone services to foreign countries are provided by Cable and Wireless Ltd.

Post Office and Radio Hongkong are public utilities belonging to the Government but Redifusion is a fairly new private enterprise.

The following table illustrates the rapid growth of services rendered by the Post Office between 1950 and 1955.*

Table 11
NUMBER OF LETTER MAILS AND PARCELS RECEIVED, DESPATCHED AND HANDED IN TRANSIT BY G.P.O., HONGKONG DURING 1950—1955

Year	Letter Mails (millions)	Parcels
1950/51	89.8	439,000
1951/52	82.2	344,000
1952/53	98.1	433,000
1953/54	106.7	601,000
1954/55	116.6	736,000

Source: Annual Departmental Reports of the Postmaster General, 1950—1955.

* No comparable figures are available for the earlier postwar years.

Table 12
 NUMBER OF BROADCASTING RECEIVING
 LICENCES ISSUED DURING 1946-1954

Year	No of licences issued	Index (1948=100)
1946	12,613	52
1947	13,592	56
1948	24,164	100
1949	33,459	138
1950	42,368	175
1951	43,377	179
1952	41,211	170
1953	42,606	176
1954	41,750	173

Source: Annual Departmental Reports of the Postmaster General, 1946-1951.
 Annual Departmental Reports of the Public Relation Officer, 1951-1954.

It is possible that the comparative stability, or even slight decrease, in the number of radio-licences issued since 1950 is due to Rediffusion (Hongkong), Ltd. which operates a wired broadcasting system in the Colony, under a franchise granted in 1948 and provides two programmes, one in English and one in Chinese, from 7 a.m. to midnight daily. The programmes include relays from Radio Hongkong, the B.B.C., and other broadcasting programmes, but most of them originate in the company's own studios. The distribution network, which at the beginning of 1954 covered the whole of the urban areas of Victoria and Kowloon and most of the Peak, has now been extended to the New Territories.

There are three Rediffusion amplifying stations, two on the Island and one in Kowloon. Each subscriber has a loudspeaker and a selector switch installed in the home, and pays a service rental charge of \$10.00 per month and may pay an additional \$5.00 a month for an extra point. Altogether some 53,000 loudspeakers had been installed by the end of 1954. The Company pays to the Government \$1.00 a month, in respect of each subscriber, in the form of a Radio Licence Fee.

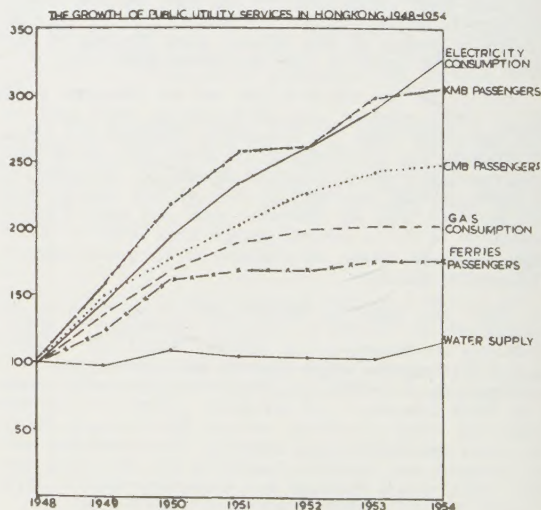
8. CONCLUSIONS

(i) The study of the economic aspects of public utilities in Hongkong provides an interesting picture of the economic growth of the Colony in the post-war period. This picture is summarized in the accompanying graph showing the behaviour of public utility indices between 1948 and 1954. All of these indices are based on 1948 figures taken as 100 as that year can be regarded as the first year of post-war "normality" in the Colony. The graph indicates that the rate of growth in the Colony was very rapid up to 1951. The period between 1948 and 1951 reflects the great economic importance of the influx of refugees from China. This fact provides, therefore, a clear argument for the contention that a rapid increase in the number of people is one of the most powerful elements of the acceleration of economic growth. In the light of Hongkong's experience, the limitation of the rate of population growth appears to be one of the possible brakes in economic expansion. This truth may sound as a paradox to many modern economists who usually regard birth control as a prerequisite of economic progress, but historical analogies in the West appear to confirm our conclusion.

(ii) Among all public utility services in Hongkong, the increase in the output of electricity was the most rapid and its rate of growth the most steady throughout the whole period 1948-1954. It seems reasonable, therefore, to regard the expansion of electricity production as both the condition and effect of the industrial development of the Colony. As was noted in Table 2, the charges for electricity between 1946 and 1954 fell by almost 50 per cent. The accompanying increase in electricity consumption would prove that the elasticity of demand for electricity was high and that the price-policy of the two electricity companies was to the benefit of the Colony. This may be contrasted with the observation that with the existing charges for gas, the elasticity of demand for gas is rather low which is reflected in the almost rigid volume of gas consumption between 1951 and 1954. It is likely that this demand would become more elastic if gas prices were lowered. This conclusion may prove of considerable importance in planning the low-cost housing schemes in the Colony. Stimulation of the demand for gas by lowering its prices may also reduce the use of other fuels, such as kerosene, firewood or charcoal and thus diminish the present heavy incidence of fires in the Colony.

(iii) The study of the public utility services throws a good deal of light on the relative growth of Kowloon and the Island. This is reflected in the statistics of the two bus companies. The period 1948-1954 witnessed a very rapid growth of Kowloon so that its present population probably exceeds that of the Island. This fact was recently confirmed by the U.N. Refugee Survey Mission: according to the Report of the Mission, in 1954 the ratio between the population of Kowloon and Hongkong was expressed by the proportion 110: 100.* This

* Cf: The Problem of Chinese Refugees in Hongkong—Report by Dr. E. Hambro: Leyden (Holland) 1955.



is another important element which cannot be neglected in any type of planning in the Colony.

(iv) The comparative importance of ferry services in the Colony has declined in the postwar period. The number of passengers carried by the ferries has been almost stable since 1950. A greater separation of Kowloon as an economic and social entity may be one of the reasons explaining it. It is likely, however, that the number of ferry-passengers would be greater if, through more refined price-differentiation policy, the ferries were made less costly to the lower income-groups of the Colony's population. This would also necessitate a bold investment programme aiming at a substantial increase in the number of ferries, piers, traffic dispersal platforms etc. as well as in the number of routes both for passengers and goods traffic. The question of goods traffic across the Colony's "internal waters" is particularly important. At the moment, this kind of transport depends almost entirely on small boats, sampans etc. so that it is practically impossible to bring a bulky but not expensive parcel from a shop in Kowloon over to the Island. Even with the existing pattern of geographical distribution of the Colony's population, the present system of internal sea-transport calls for revision. Assuming the inevitability of expansion of the population to numerous islands, which at present are nearly desolated, bold planning of the Colony's future transport-net becomes a necessity. If the ferry companies fail to fulfil this role it is possible that alternative means of internal transport in the Colony—tunnels, bridges, etc.—will have to be introduced.

(v) Apart from the growing sea-transport bottleneck and the comparatively minor bottleneck in the provision of telephone services, our study has revealed that at the moment the two main points of constriction in the Colony concern the water supply and road transport. As far as water supply is concerned, substantial improvement is expected from the Tai Lam Chung new reservoir. But doubts are already expressed whether this new reservoir will be enough. It seems that new ways of storing water or new methods of obtaining fresh water from the surrounding seas will have to be devised very soon. With respect to roads, not much can be done on the overcrowded Island unless remedies are sought in tunnels, bridges and roof parking structures. But there is wide scope for new roads all over the New Territories, both on the mainland and on the undeveloped islands. This type of road construction may prove the most essential pre-requisite of future economic development of the Colony, especially if it is combined with industrial and housing site-formation, either through levelling of hills or through reclamation of new land from the sea.

(vi) The last of the above presented conclusions brings us to changes in the nature and scope of the public-utility services. In modern economies, an increasing number of public-utility services is

provided by the Government in view of the fact that the social overhead costs of development, as well as the benefits resulting from it, are indivisible. Construction of roads or site formation are—to use a Marshallian expression—only "species of a larger genus" which comprises schools, hospitals, public sanitation, low-cost housing schemes, city halls, parks, sport grounds, markets, etc. It is an enormous field where the postwar achievements of the Public Works Department of the Colony's Government should be assessed as very substantial.* Praising the past achievements, however, should not prevent us from expressing the view that more could and should be done. Full discussion of this problem exceeds, of course, the scope of this article but in our final conclusion here we have to stress that public-utility services form a skeleton without which no economy can live and grow.

* Cf. my article on "Public Works in Hongkong" *Far Eastern Economic Review*, September 23rd 1954, Volume XVII, No. 13.

THE NEW ORDER IN SINGAPORE

In the modern State the permanent Civil Service is protected from the spoils system, the perils of Ministerial favouritism and other forms of nepotism. Any interference with the integrity of the service is dangerous. So much is common knowledge. But in Singapore there is an extraordinary spectacle at present. Some of the non-expatriate members of the civil service are outdoing even the politicians on the make in the part they are playing in the proceedings of the Malayanization Commission. In the ardour of the moment they do not seem to reflect on the boomeranging nature of their activities. The immediate target of their attack is the Income Tax Department, with its endless possibilities—and its need for expert accountants and assessors. The "expert" side of the problem can, of course, be exaggerated, and Mr. K. M. Byrne, the chief spokesman for the local Government officers, may be right when he says that there are local officers with many years' experience who could "teach the expatriates their jobs."

The wrangling that is going on about particular posts is rather distasteful, especially since it is so obviously dominated by the desire of the middle grades to heave themselves up into the seats of their superiors. But far more important is the issue of principle which has now been raised. The Chief Minister, Mr. David Marshall, is as ardent about the Malayanisation of the Civil Service as he is about most other things. He has recently proposed that the service should be removed as rapidly as possible from the hands of an ex-officio Minister as well as from those of the Secretary of State for the Colonies. That is bound to come. But he has gone much further. He has demanded that the Chief Minister should control the Civil Service. It can well be contended that as Singapore progresses in self-government, the independence of the Civil Service should be made even more secure than it is now.

Our Singapore contemporary says quite rightly that an impartial, efficient and independent Civil Service is the best shock absorber against political inexperience and exuberance. Essentially good government is good administration—that is why Hongkong has scored so heavily under its paternal and "non-political" regime. Administration is the task of the Civil Service. The politicians in office in Singapore will have to depend on the civil servants for advice, guidance and understanding, and to ensure sound advice it is essential that civil servants should be safeguarded against the pressure of the party in power and against the danger of a spoils system. There is all the difference in the world between a real Civil Service and a service of servile sycophants or self-seekers.

If the Singapore Civil Service is to be removed from the control of an ex-officio Minister (the Chief Secretary) it should be transferred, not to a Political Minister who may be in office today and out tomorrow, but to an independent Public Services Commission which could protect civil servants from political pressure. It is equally essential, of course, that its personnel should be carefully selected for their probity and for their sympathy toward the legitimate aspirations of the local populace, for in the long run the more the administration is manned and directed by local men the more thorough the reform will be—and the more permanent and satisfying.

There are already not enough experts to go round in many parts of the world, and that includes both Great Britain and the Commonwealth. As the unprecedented use

of Soviet experts and civil servants in China has shown, the demand for the technician and expert is insatiable. The question at stake is not the ousting of an expatriate from his job but whether he can be replaced by a local man equally competent or of equal potentiality after training. And there are plenty of jobs still going abegging in Malaya where the Minister of Education told the Council that expatriate lecturers and teachers refuse to take jobs owing to the new situation.

The Chief Minister has stormed the international stage in a remarkable way since he left Singapore and called to see the leaders of the Indian and Ceylon Governments on his journey to see the heads of the British Government. For a novice in politics he did extraordinarily well in projecting himself right in front of the footlights, with a gift for picturesque phrasing and metaphor, as well as for forcefulness, hitherto reserved to his criminal practice in the courts and his daily electoral dozen under the shade of the old "Whitehall tree" in the heart of the old bureaucracy. But his eloquence was not always appreciated by his fellow-politicians, and some of them prayed that he would "stop shooting off his mouth," and confine himself to talks on self-government with the British Government. They felt that in his speeches in Ceylon and India he had talked too much and unnecessarily embarrassed Singapore.

His chief opponent, of course, Mr. Lee Kuan Yew, was bitter of all. "Never in the history of colonial revolution," he said, "has so much humbug been enacted in so short a time by so erratic a Chief Minister." He went on to describe Mr. Marshall's pilgrimage as "more and more like an extravaganza from the Hollywood studios of Walt Disney. We have never ceased to be astonished by the Chief Minister, from his Anthony Eden hat, his new suit, and his Macmillan smile, to his three-hour crammed lesson on politics and power by the 'warriors of independence,' in Ceylon. And now it is abject humility at the feet of Pandit Nehru." The criticisms ranged also from Mr. Yap Pheng Geck's reference to "Marshall on the rampage" to the comment of the President of the Democratic Party, Mr. E. J. Tan, that the people in Singapore had been put in a "shamefully embarrassing position." They had, he said, clamoured loud and long for complete self-government and independence because they had faith in the capabilities of their own people to manage their own affairs. Now Mr. Marshall deemed it necessary to go to learn "at the feet" of a foreign leader the best ways of putting these aspirations into effect.

The Chinese community also took great offence at Mr. Marshall's reference in New Delhi to them and their loyalty. The question of (Chinese) loyalty to Singapore, he said, had not so far arisen, because there has so far been the question of loyalty to the colonial concept. But I believe that those who have lived, sometimes for generations, in Singapore will give their loyalty to the land when it is an independent constitutional entity. To this Mr. Yap Pheng Geck, the vice-chairman of the Chinese Chamber of Commerce and one of the foremost advocates of citizenship for alien Chinese of long residence, retorted that "we have already given our loyalty exclusively to this country. Many first generation Chinese are loyal and that is why they demand citizenship." A member of the Coalition Government, Mr. Wong Foo Nam, of the Malayan Chinese Association, said he found no evidence that the Chinese had been

HONGKONG'S PAPER TRADE IN 1955

By K. C. Fung

(Chairman of South China Paper Merchants' Association, Hongkong)

Strong demand for paper from Korea and Thailand during the first 6 months this year brought good profit to most local paper merchants. The bull market continued during the second half year with improved local consumption and more orders from Indochina and Indonesia. For the first 10 months this year exports of paper totalled \$54 million representing an increase of \$10 million over that for the same period last year. There was a corresponding increase in the value of paper imported during the same periods: from \$84 million to \$98 million. The difference in import and export figures reflects the volume of local consumption.

disloyal and he also disagreed with Mr. Marshall about importing Indian expatriates to train local administrative staff. "If we want experts," he said, "let us get the best and not only from India. The world, including America, should be our field."

Just before he left London to return to Singapore, Mr. Marshall said he might invite an all-Party Parliamentary Delegation from Britain to visit the port—presumably at the expense of the unconsulted Singapore taxpayer. At the same time it was announced that a boisterous welcome had been planned by Mr. Marshall's supporters, who were expected to roll up in their thousands at the airport. Chinese and Malayan sections of these were arranging traditional greetings, including a lion dance by the Chinese. It is to be hoped that all this hobnobbing with the great, and the enormous amount of publicity Mr. Marshall has had in the past few weeks, will not have unduly inflated his ego; and that if the Tory and Labour Parties in Parliament are invited to send delegates, to see "the bare truth" for themselves, most of the 250 odd strikes will have been settled beforehand.

During the talks in London in December the agenda was provisionally agreed between the Secretary of State for the Colonies and Mr. David Marshall for the constitutional discussions with a Singapore delegation in London on April 23. The agenda will be (a) a definition of internal self-government; (b) a date for its introduction; (c) the structure of the Legislative Assembly; (d) the future of the public service; (e) external relations and external defence; and (f) any other business.

Another point brought up in London was the language question. Mr. Marshall said there was a desire in Singapore that its major languages should be recognised in the Assembly. The Secretary of State saw practical disadvantages in such a step, but agreed to recommend amendment of the Constitution to enable the Assembly to introduce multi-lingualism if it so wished. Another issue raised by Mr. Marshall was the right of access of the civil service staff associations to the Chief Minister. He agreed with the Secretary of State that the civil service should be kept divorced from politics, and that there could be no question of the Chief Minister concerning himself with personal issues of any kind, such as individual promotions or appointments. It was, however, agreed that the civil service staff associations should have the right to approach the Chief Minister through the Chief Secretary on matters affecting general conditions of service and public policy relating to the public service.

Throughout the year, popular items were exceedingly short in stock and prices scored considerable gains.

Shipments to Korea consisted mostly of newsprint in reels, woodfree printing, kraft, sulphite paper, transparent cellulose and tissue paper. To prevent the infiltration of Communist goods, particularly those from China, Seoul required that all imports must be covered with certificates of origin. Consequently newsprint of US origin dominated the local market when European goods dwindled. This encouraged local dealers to book more American newsprint which was also favoured by Thailand. In addition to newsprint, orders from Bangkok covered duplex board, manifold and bond paper. During the first half of 1955, Indonesia bought very little from here on account of the shortage of foreign exchange in Djakarta.

At the end of June, shipments to Korea slowed down due to the heavy consignments from here during the first 6 months. Meanwhile, Indochina started to buy newsprint, woodfree printing, M.C. cap, manifold and duplex board from Hongkong with US Aid Funds. Indonesia also showed signs of renewed interest in the local market during recent months and there were also orders from Taiwan and other countries in SE Asia for various popular items.

The slow-down in shipments to Korea during the third quarter this year brought no adverse effect upon the local paper market. In addition to more orders from Southeast Asia, local consumption also improved during the year with the development of industries in Hongkong. Items which enjoy increasing local demand include packing paper, wood-free printing, M.G. cap, strawboard, duplex board and newsprint. Local consumers show strong tendency of favouring Chinese products which are being offered at very competitive prices. In exports, however, Chinese paper constitutes an insignificant percentage of Hongkong's total paper export.

At the present, woodfree printing, glassine, transparent cellulose paper, duplex board, M.G. white sulphite, M.G. kraft, M.G. pure sulphite, aluminium foil are very low in stock. The market has been further stimulated by the repeated advance of European indents. Early this month, Scandinavian Paper Mills Association again increased quotations for M.G. pure sulphite, M.G. white sulphite, M.G. cap, thin newsprint, poster, grease-proof, tissue and glassine by £2 to £4 per ton. Prices of these popular items are therefore very buoyant in the local market. Even newsprint which is comparatively abundant in supply (2,000 tons) as a result of heavy booking during the third quarter, is edging up as local price is below indent cost: for US newsprint from here to Korea—US\$210 per ton cif Pusan; for similar supply from US to Korea—US\$215 per ton cif Pusan. Keen enquiries from Korea for this item reached here recently indicate that these 2,000 tons of newsprint will be exhausted very soon as the demand far exceeds this quantity.

An important feature in the local paper market this year is that in many transactions, local dealers do not have adequate stock nor enough floating cargo to exploit to the full the strong demand from Korea. The supply situation is so tight that after the booking of an order, local dealers have to wait 3 to 4 months for the arrival of their shipments from Europe. This shortage of supply is not likely to improve in the near future and prices in the local market will remain firm.

RECORD CROPS IN CHINA

Two announcements were made the same day in Peking. On December 18 it was stated that interim figures presented to the National Conference on Agriculture showed that the gross output of food crops in China in 1955 amounted to 181,950,000 tons. This is 12.4 million tons more than 1954 and 18 million tons more than the good harvest of 1952. Output of ginned cotton reached over 1.4 million tons, or 360,000 tons above last year and 120,000 tons above 1952. It was added that the output of tea and silk also surpassed their targets for the year, while the harvest of jute and hemp was nearly 80% greater than in 1954.

The second announcement was that the agricultural producers' co-operatives throughout the country are now estimated at nearly 1.4 million, which thus exceeds the target set for 1956. All the Party papers in Peking gave prominence to the news that nearly 50 million peasant households, or more than 40% of the peasant households in the country, have taken up co-operative farming. It was not stated whether these were all properly organised and consolidated. A year or two before it was a general cause of complaint that whereas the co-operatives had multiplied in number on paper, only a minority of them actually functioned as such as there were no bookkeepers to keep the accounts, the organisation had not been completed, and there was a woeful lack of literate persons to run them.

It was added that tens of thousands of new co-operatives are still being set up throughout the land, and at the present pace of development it is expected that most of the peasants of the country will be working in co-operatives by next autumn. The movement has made its greatest development in North and North-east China. In Hopei, Shansi, and Heilungkiang 70 to 80% of the peasant households are in the producer co-operatives. Shantung, Kiangsu, Anhwei, Chekiang, Fukien, Honan, Hupeh, and Kwangsi rate about 50%. Upper middle peasants are also said to be coming in as well as the poor and lower middle peasants. It is asserted that in most cases upper middle peasants joined after being convinced by personal experience of co-operative advantages.

Favourable weather was, of course, chiefly responsible for the great improvement in the crops. The mass entry into producer co-operatives did not start till the crops were about to be harvested. Peking, after the setbacks from the floods and other disasters, had a bumper harvest in the autumn, and the claim that it surpassed all records will no doubt make it easier to push on with the programme of intensive transformation of mutual aid teams into producer co-operatives.

It was one of the most remarkable of all speeches by Mao Tse-tung which gave new impetus to the drive in the rural areas, at a time when the administration itself showed signs of great discouragement and lethargy. The local Government officials, apart from the Party workers, had too much else to do to bother about suborning or persuading the peasants. More than once the Chinese Communists have responded to sudden fear or panic by ordering full steam ahead rather than admit defeat or frustration. In the sudden spate of Socialist economic measures in February, 1950, the spur was the successive drops in the value of the currency, which after the third fall looked almost like going the way of the former national currency or fapi. This time the fears related mostly to the "spontaneous capitalist ten-

dency" of the peasants, which, the pundits feared, might become unmanageable if allowed to grow unchecked.

There were also, of course, real differences over the pace and method of collectivization, brought into sharp relief by the contrast between the indifference or at least complacency of the Government officials and the members of the National Congress, and the forthright, sensational speech by Mao Tse-tung to the Party Secretaries which came hotfoot on the sluggish Congress and electrified the whole of officialdom. From Chairman Mao's speech and its reactions it became clear that only through collectives committed to the support of national policies and increasingly managed by Party enthusiasts and activists could the Government maintain control over agricultural production to find the revenues, feed the people and create the exports to pay for imported machinery.

There are, of course, real difficulties in the way of enforcing the programme, and commandism or compulsion is officially repudiated while often practised on the spot. But the Government and Party are evidently determined to get on top of the richer and more enterprising peasant if only to banish the fear that he may otherwise get on top of both Government and the poorer and less competent peasants. Chairman Mao's statement that the Party "must not fight an unprepared war," probably sounds more ominous than it was meant to be. But the battle is being joined in the countryside and it is going to be a period of toughness and difficulty all round. For the official, whether representing the Government or the Party, it is easier to report the misdeeds of the rich peasant and other class enemies, than to keep on mentioning the peasant's doubts, dismays, and obstruction.

The Government has in any case learnt that it must at least employ incentives and inducements equally with persuasion, peaceful or forceful, if the huge task is to be successfully done. It is beginning to see that one new plough is worth half a dozen struggling co-ops as an object lesson to the peasant. Peking stated on December 16 that 1.8 million double and single-bladed wheel ploughs will be supplied to the peasants in 1956. This is no great number—little more than one each to every projected co-operative and little enough indeed in relation to the vastly greater total of peasant households. But it is something—and four and a half times the number supplied in 1955. This decision was made at a national conference which closed a day or two before. Other new type farm tools to be distributed in 1956 include 70,000 disc and toothed harrows, 110,000 sowing, harvesting and other machines, and a million walking ploughs and ploughs for hillside farmland and paddy fields. The next problem is of course to teach the peasants how to use them and repair them!

Although he admitted that they are saying in the countryside that "the Communist Party of China loves the workers and not the peasants," the Minister Lai Jo-yu, writing in the Peking Daily Worker, insisted that the workers must strengthen their leadership over the peasantry in order to guide them on the Socialist path and boycott bourgeois influence. Even in this, there were dangers to be guarded against, and he cited cases of men who had spent half a lifetime in business fulfilling their dream of buying a small farm in the country on which to spend their declining years. He was grateful to Chairman Mao and the CCP but he was grateful because his ideal of buying land had materialised!!

THE BANGKOK RICE MEETING

The Third Special Meeting on the Economic Aspects of the Rice Industry, convened by the Director-General of FAO, was held in Bangkok from 30 September to 7 October 1955 and was attended by representatives of and observers from 17 governments. This Meeting arose out of a request made at the Rangoon Meeting, held in November 1954, "that

Cases like this, said Lai Jo-yu, are not isolated. Like the desire of certain office employees and workers to become small proprietors, this is an indication of the effect of bourgeois ideas. Why, some of the bourgeoisie had the audacity to feel injustice when such a charge is levelled against them! But it shows how the struggles between the Socialist and Capitalist paths permeate the realistic life of the people. Socialism is now the leading side in the struggle, but capitalism still exerts its effect: the effect of bourgeois ideas. Thus it was necessary to seal up the path to capitalism. Moreover, the expansion of the co-operative movement with big strides in the rural areas would inculcate Socialist consciousness among the reserves of the working class before they enter Socialist factories and mines. At the same time, after the completion of the agricultural co-operation, he said, the office employees and workers in factories and mines will no longer think of buying real estate.

The bourgeoisie were doing their best to compete with the Communists in gaining leadership over the peasantry. They told the peasants that under the Communists "workers are in the highest heavens and peasants are in the extreme depths of earth." The Party could not overlook bourgeois influence in the countryside. They must help and guide the peasants to take the path of co-operation. When the free market still held an important position in the economic life and when speculative business was still possible, the subjective desire of the majority of well-to-do peasants was to take the path of the rich peasantry. For a time after the agrarian reforms, well-to-do peasants and rich peasants picked up the so-called "sideline occupations" which virtually meant speculative business and usury. This situation exercised a certain effect on the peasants in general.

Cotton-growers in Shansi stated that peasants now have more money but their life is not much better. Why? Because, while private merchants are considerably restricted, supply work is so poor in the rural areas that peasants with all the money cannot obtain anything. This leaves a loophole for capitalism, said Lai Jo-yu—a loophole very unfavourable for co-operation. In order to consummate Socialist transformation of agriculture, it is necessary to bring the land gradually under communal ownership. This is embodied in the draft regulations for producer co-operatives. In order to place land gradually under communal ownership, it is necessary to fix the land dividend or gradually reduce the land dividend. "If persons physically unfit for labour can make a living without land dividend, then the change of private land ownership can be effected more smoothly. This problem should find its solution in the accumulation and rational use of welfare funds." After several years the welfare funds of the producer co-operatives will be increased to a certain extent, and the producer co-operatives should consider and gradually institute a system akin to social insurance. Handicraft production schemes suitable to the aged and weak may also be undertaken. The work of State farms must also be strengthened to broaden the peasants' field of vision, and the per hectare yield be brought far ahead of the output of individual peasants.

a comprehensive study be made . . . of the various measures which might be adopted for the stabilization of the international trade in rice. . . ." and "that this study should be circulated to Member Governments with a view to convening a meeting for its consideration. . . ."

The problem of lessening fluctuations in international trade proved in fact to be the main subject of the Meeting. Regular consultations between governments would tend to reduce fluctuations by making countries aware in advance of probable changes in export availabilities and in import requirements; they might also lead to more or less definite commitments on measures to reduce instability. The delegates agreed that consultation between governments on the economic aspects of the rice industry are essential, and recommended that these consultations should proceed through an intergovernmental group formed under the auspices of FAO's Committee on Commodity Problems. The report of the Meeting is summarized in the following paragraphs.

Reviewing the recent background and short-term outlook for rice, the Meeting found that the principal immediate problems continued to be those arising from the accumulation of rice surpluses in several rice-producing countries and emphasized, therefore, the continued need to increase consumption. The delegates then reviewed the follow-up actions taken by governments in response to the recommendations of the Second Special Meeting held in Rangoon in November 1954. Delegates noted that consumption appeared to be expanding and welcomed the steps that were being taken in a number of countries to facilitate further basic factors of the world rice economy were expansion.

The Meeting then turned to the problem of reducing fluctuations in international trade in rice. The basic factors of the world rice economy were examined with regard to their bearing on such fluctuations. It was agreed that large fluctuations in rice production were as likely to originate with changes in the area sown as with changes in yield and that to this extent they would be influenced by the relative profitability of alternative crops and thus be amenable to control by government action.

Strong consumer preferences for specific types of rice increase instability by making it more difficult to substitute one type for another and render the structure of international trade less flexible than if rice were homogeneous. The Meeting recognized that the wide variety of grades and differentials prevalent in the international rice trade raised a number of difficulties, and that more research was necessary on the degree of interchangeability between the different grades and types. Similarly, attempts should be made to ascertain how far the prices of different grades and types moved together in response to changes in the balance of supply and demand. The relationship between the various qualities of rice and their suitability and price for human, industrial, and animal feeding uses also required further study.

The delegates from importing countries such as Japan and Ceylon emphasized that the main way to expand the consumption of rice would be a further reduction in its price relative to other cereals. The Japanese delegation added that the rice import policy of its government was influenced largely by price comparisons with wheat and barley and by the availability of certain qualities. Recent reductions in price were stated to have been associated with a 5 percent increase in consumption in Hongkong. It was therefore also important to reduce the spread between the

price received by the producer and that charged to the consumer by improving the efficiency of internal marketing structures and by reducing taxes and other fiscal burdens on rice.

The abolition of rice rationing where it continues and the removal of restrictions on the use of rice for industrial purposes and animal feed were other important means of expanding consumption.

Proceeding to examine the possible measures for stabilization, the Meeting agreed on the following criteria which should serve to judge the merits of any particular measure: 1. Any stabilization measure should be beneficial both to producers and to consumers. 2. A basic feature of any measure should be to promote consumption. 3. The measures should aim at limiting the impact of excessive instability on the income and foreign exchange balances of the countries closely involved in the international trade in rice. 4. In devising stabilization measures, account should be taken of the administrative and financial capacity of participating countries. 5. The measures should be in harmony with the needs of an expanding world economy.

Stability should not imply freezing either of quantities, of prices, or of patterns of trade. Measures of stabilization should not attempt to alter long-term trends; they should be directed towards facilitating adjustments to them and towards smoothing out temporary fluctuations. Such adjustments would be facilitated if governments examined their plans and policies for rice production in the light of changing conditions of supply and demand.

The Meeting agreed that the holding of national stocks is a desirable measure, both for assuring supplies and for reducing price fluctuations, but, as some delegates stressed, the carrying of such stocks presents difficulties, both physical and financial, which may be very onerous for certain countries.

To enable governments to estimate the possible extent of the burden involved, the rate of annual carrying charges was considered as well as the volume of the stocks to be held. The manager of the British Guiana Rice Marketing Board (a member of the United Kingdom delegation) estimated the annual cost at about 18 percent, assuming an interest rate of 5.5 percent per annum. The Meeting suggested that it would be helpful if other governments were to submit similar data to FAO for further consideration.

The factors which should determine what world total of national and/or international buffer stocks it would be necessary or desirable to carry were considered to require further study. One factor which might be highly relevant was the portion of total production reaching markets. This proportion was stated to have been about 40 percent in India before the war, to have dropped to about 25 percent during the war and in the immediate postwar period of procurement by government, and was now showing signs of rising since the lifting of controls.

The Meeting recommended that means be studied by which outside financial assistance could be given to countries carrying stocks. Such assistance should be directed both at helping finance the building of warehouses as well as the stocks of rice.

There was general agreement that some international co-ordination of national stock policies was desirable to relieve temporary shortages and to absorb temporary surpluses, but various practical difficulties were mentioned, such as the problem of differentials.

Delegates were greatly interested in the possibilities of an international buffer stock and urged further study of such a scheme. The principal problems were considered to be those of establishing the minimum and the maximum prices and of financing the stock. While the obstacle of

price differentials might be overcome after additional study, the over-all financing of a buffer stock could only be solved through aid from an international agency or through the assistance of wealthier countries. Additional study might also reveal the feasibility of linking up an international buffer stock scheme with maintenance of national reserve stocks.

The suggestion for an export quota scheme met with considerable opposition. Apart from the intrinsic difficulties involved, the Meeting viewed with disfavor any scheme which did not associate closely together importing and exporting countries. In a system of export quotas the whole onus of operation was thought to fall on the exporting countries. The difficulty of estimating the prospective import requirements of countries which, subject to variable weather conditions, produce a substantial proportion of their supplies was also considered an obstacle.

The delegates recognized that it would be very difficult to arrange a multilateral contract for a commodity like rice which is marketed in so many varieties with significant differentials between them and only partial substitutability. Another critical obstacle—as for export quotas—was felt to be the difficulty of estimating in advance the import requirements of some countries with substantial domestic production and residual dependence on imports. While recognizing the difficulties involved in the operation of this type of scheme, the Meeting considered that the proposal merited further investigation.

The Meeting made the following recommendations to governments: 1. That they continue to implement the recommendations adopted at the Rangoon meeting in 1954, which are considered to be still entirely pertinent. 2. That it be kept in mind that one of the main purposes of the recommendations made at Rangoon was to promote rice consumption. 3. That, to promote consumption, consideration be given also to improvements in the efficiency of the internal marketing structures and to the possibility of eliminating taxes and other fiscal burdens on rice with a view to reducing the spread between the price received by the producer and the price paid by the consumer. 4. That they explore the possibility of increased use of rice for industrial purposes and animal feed and endeavor to relax as far as possible any existing restrictions thereon. 5. That they examine their plans and policies for rice production with a view to adjusting them to changing conditions of supply and demand. 6. That they consider means whereby financial assistance could be obtained or given for carrying national stocks to ensure essential supplies and reduce price fluctuations. 7. That they assist as much as possible in the carrying out of the further studies recommended by the Ad Hoc Working Group on Rice Grading and Standardization. 8. That consultations on the economic aspects of rice, with special regard to international trade, should in the future take place on a regular basis and that to this end an intergovernmental group should be established under the auspices of the Committee on Commodity Problems of FAO. 9. That the intergovernmental group give early consideration to the task of carrying out more detailed studies of: (a) the various methods of reducing instability in the world trade in rice, possibly in the following order of priority: (i) national stocks and an international buffer stock or a combination of the two; (ii) a multilateral contract; (iii) an export quota scheme; (b) methods of promoting the expansion of rice consumption by measures such as the elimination of tax burdens and the improvement of marketing structures and other measures which would tend to reduce the spread between the price received by the producer and that paid by the consumer; (c) how to facilitate the flow of international trade in rice by acquiring a better knowledge of consumer preferences and of grades and standards for rice,

ECONOMIC REPORTS FROM JAPAN

Foreign Exchange: Foreign exchange holding as of Nov. 10 exceeded \$1,400 million in terms of U.S. dollars (\$800 million in dollar, \$300 million in sterling, and \$300 million on the credit of open-account trade, held by Government, Bank of Japan, and foreign exchange banks). Nevertheless, when the nation's debts to the International Monetary Fund (\$62.5 million), deferred payments of dollar, pound usances and others (\$200 million), and the frozen trade claims to Indonesia and South Korea (\$210 million) are taken into consideration, Japan's substantial holding of foreign currency will be greatly diminished. Exports during

and of the extent to which prices of different classes and grades move together in response to changes in the balance of supply and demand; (d) how further to improve statistics of production, consumption, international trade, and prices of rice with a view to enabling governments, farmers, consumers, and traders to form a more concrete and a more detailed picture of the world rice situation and of future prospects.

The meeting furthermore requested the Director-General of FAO: 10. That he invite the Committee on Commodity Problems to set up an intergovernmental group as a means of regular consultation between governments on the economic aspects of the rice industry, with special regard to international trade. 11. That, in order to prepare the ground for the first meeting of the group, he invite a small number of governments to nominate experts to serve in a personal capacity on a preparatory working party which should meet in Rome early in 1956. It would also be appreciated if he would consult with the Executive Secretary of the Economic Commission for Asia and the Far East (ECAFE) with a view to arranging for the active participation of ECAFE in this working party. 12. That the report of the Ad Hoc Working Group on Rice Grading and Standardization be transmitted to all the governments concerned. 13. That he consider how the further studies recommended by the Ad Hoc Working Group could best be carried out.

Complying with the request of the Rangoon Meeting of November 1954, the Director-General of FAO convened an Ad Hoc Working Group of experts on rice grading which met in Bangkok, Thailand, from 28 to 30 September, i.e., just prior to the Meeting on the Economic Aspects of the Rice Industry. The Working Group decided that, as a first step, it was essential to see how far it was possible to reach agreement on the definition of terms employed in the description of rice in international trade. The Group agreed on a number of such definitions and suggested the need for further study on a number of other items. The compilation of an international glossary of terms used in the international rice trade was also recommended.

The Group expressed the hope that countries interested in the production or consumption of rice would assist in the undertaking of the further studies recommended in its report, and in this respect urged all governments which had not yet nominated a national liaison expert for rice grading to do so as soon as possible.

The experts were convinced that work on rice grading and standardization, such as had been undertaken at the meeting of the Ad Hoc Working Group, was of great value to all rice producing and consuming countries, and expressed the hope that FAO would be able to continue to foster such work.

the April-October period amounted to \$1,156 million, showing a rise of \$281 million over the corresponding period last year. As a result, favorable balance in visible trade was \$63 million for the same period against the adverse balance of \$218 million recorded for the similar period last year. When the invisible trade, including special procurement orders, is taken into account, excess receipts are further enlarged totaling \$302 million against the \$133 million during the like period a year ago.

Cotton Mills: Operation curtailment of cotton spinning mills will be continued until the end of March next year; the present curtailment rate of 16 percent will be mitigated to 12 percent for all mills in December. As for curtailment rate after January next year, return to the present rate of 16 percent is possible unless demand-and-supply situation of raw cotton in the United States and other overseas countries changes.

Steel Ingot: Ever growing demand for steel arising from the shipbuilding industry could not be turned down though Ministry of International Trade and Industry has been adopting a policy to discourage production of steel ingots so as to save the insufficient materials for steel in hand. Thus MITI had been stymied until recently when it was found out that the tight situation of the industry would be mitigated by importation of pig iron. MITI then decided to enlarge the limitation on steel ingot production for the third quarter of the current fiscal year by 25,600 tons. In consequence, the total amount becomes 2,154,110 tons. The amount for the said quarter was originally limited to 2,098,510 tons and later was raised to 2,128,510 tons when two big steel mills, Yahata and Fujii, were allowed to turn out 30,000 tons more than scheduled. Steel ingots turned out under the latest increase of limitation are to be supplied mostly to the shipbuilding industry, since steel plates for the use of shipbuilding are found impossible to import.

Sheet Glass: Pronounced advance in the production and sale of sheet and plate glass has been reported for the ten-month period from January to October 1955. Production was 5,393,897 cases (a case represents 100 square feet in terms of ordinary sheet glass) and the delivery 5,317,847 cases against 5,096,755 cases and 5,043,087 cases, respectively, of the corresponding period last year. Production and delivery for the year will reach 6½ million cases. The 5,317,847 cases delivered during the period represent 4,560,630 cases for domestic use and 757,217 cases for export, compared with 4,385,798 cases and 657,289 cases respectively of the like period last year. Improvement in production is attributable to the following factors: (a) Thanks to the bumper crop this year, rural people could repair and remodel their homes after the fashion of city house building using more sheet glass. (b) Construction of residential houses, office buildings and factories has been very active in general, and this trend is expected to last. (c) Export to the United States was more than usual, because of unusually big demand there by the "building boom". Production target for the 1956 fiscal year is set at 6,770,000 cases including 5,770,000 cases for home use and 1,000,000 cases for export. There is every sign of the present favorable situation continuing into 1956.

Mining and Manufacturing: Industrial production remained at a high level in October with another post-war high index of 208.5 (100 = average for 1950), showing a rise of

JAPAN'S FOREIGN TRADE & FOREIGN EXCHANGE

Exports: The various export indicators continued strongly upward for August-September. This notable rising trend has been going on since last June. Foreign exchange bills bought during August and September together with the August total on letters of credit hit post-war peaks. Customs statistics for August and September stood only next to the December 1954 high (of \$190 million).

Export Indicators
(Monthly ave.; In million dollars)

	Customs	Foreign Exchange	Letters of Credit R'd
Jan.-Mar.	144	142	138
Apr.-June	153	151	149
June	160	160	136
July	160	165	165
Aug.	176	169	173
Sept.	177	191	162
July-Sept. 1954	139	123	128

A commodity analysis of customs statistics for August and September showed that exports were generally favorable excepting certain items as fertilizer and spinning machinery which were dull. In particular, iron and steel products advanced sharply after the June lull; synthetic fibers, cloth-

0.1 percent from the previous post-war high (208.3) attained in September. Those which raised production from preceding month were coal (5.1% up), iron & steel (7.4%), chemicals (5.1%), oil/coal products (17.0%), and leather & leather products (5.6%), whereas those which lowered production were textiles (3.6% down), machinery (4.5%), non-ferrous metals & products (2.0%), and rubber products (2.1%). Noteworthy movements of industries during the month were as follows: (a) Rise in coal output reflected improved coal market. (b) Despite shortage of raw materials, production of iron & steel advanced. Remarkable was accelerated output of iron/steel primary products, whose index went up to 218.8, establishing all-time high. (c) Thanks to the good supply of electric power (10.5% more than September), production of chemicals advanced. (d) Drop in textile output was chiefly caused by walkout in ten big spinning companies and operation curtailment in the industry. (e) Production of machinery and ceramics seasonably rises in October, but this year the former showed considerable drop, and the latter remained unchanged due to dull investment activities.

Stockpile: According to Ministry of International Trade and Industry, producers' stockpile index in mining and manufacturing was 143.4 (100=1950) at the end of September, falling 2.9 percent from the previous month. Hitting the bottom level (139.2) in March this year, the stockpile index began to rise again in the following month to reach 156.3 in July. In August and September it continued to decline. The general low level of stockpiles is of seasonal nature. Mining shrank 10.7 percent whereas manufacturing decreased only 2.2 percent, both from the preceding month. When compared with the end of the 1954 fiscal year, industries whose stockpiles decreased were mining (4.2% down), machinery (2.2%), textiles (0.1%), and oil/coal products (3.2%), whereas those whose stockpiles increased were iron/steel products (3.6% up), non-ferrous metal products (9.5%), paper & pulp (19.7%), chemicals (15.2%), ceramics (2.7%), rubber products (1.3%), leather products (22.1%), and others.

ing, sewing machines, ships and sundry items persisted at high levels; foodstuffs (fish-shell products, tea) and cotton products recovered notably in July following the April-June dullness.

Export & Import
(Customs)

Source: Economic Planning Board
Min. of Finance

		(In millions of dollars)		
		Export†	Import	Balance
1950	Total	820	974*	— 154
1951	Total	1,355	2,217*	— 862
1952	Total	1,273	2,028*	— 753
1953	Total	1,275	2,410	— 1,135
1954	First Half	720	1,412	— 692
	Second Half	910	988	— 78
	Total	1,630	2,400	— 770
1955	First Half	893	1,222	— 329
	July	160	204	— 44
	Aug.	176	208	— 32
	Sept.	177	180	— 3

† Excluding special procurements.

* U.S. aid goods included (\$61, 180, 5 respectively).

Letters of credit statistics also indicated somewhat similar export activity, especially for ships and textiles to the dollar area.

Letters of Credit Received for Export

		(In millions of dollars)				
		Dollar Area	Sterling Area	Open A/C Area	Total	
1953	Apr.-June Ave.	31	26	33	90	
	July-Sept. Ave.	28	26	37	91	
	Apr.-Sept. Ave.	29	26	35	90	
	Oct.-Dec. Ave.	27	27	48	102	
1954	Jan.-Mar. Ave.	31	33	49	113	
	Apr.-June Ave.	35	37	37	109	
	July-Sept. Ave.	38	47	43	128	
	Oct.-Dec. Ave.	46	58	45	149	
1955	Jan.-Mar. Ave.	45	57	36	138	
	Apr.-June Ave.	54	54	41	149	
	July	62	62	42	166	
	Aug.	69	60	44	173	
	Sept.	62	52	48	162	
	July-Sept. Ave.	64	58	45	167	

Export contracts for August were generally above July figures, principally in textiles led by cotton goods, and cement.

Export Contracts Concluded for Principal Items
— Minis. of Int. Trade & Indus. —

		(In millions of dollars)				
		1954 Ave.	1955 Jan.-Mar. Ave.	Apr.-June Ave.	July	Aug.
Cotton goods	31.7	27.0	26.9	29.7	34.2	
Chemical fiber goods	16.2	18.3	19.8	17.8	21.3	
Iron-steel products	19.2	22.8	30.0	33.9	30.2	
Machinery	25.7	34.2	40.9	58.0	56.3	
Cement	1.6	1.3	1.5	2.1	3.4	
Total	94.4	103.6	119.1	141.5	145.4	

Overseas demand for Japanese products (as textiles and iron-steel products) is firm despite rising export prices. Japanese exports are favorable on a wide variety of products. However, favorable export markets were confined to certain areas led by the U.S. and including Canada, England, Australia, India and Argentina. On the other hand, the

open account area and the underdeveloped areas showed a levelling off trend, on the whole. This indicates somewhat of a trade-area imbalance. To be sure, this trade situation reflects squarely the major props that have pushed Japanese exports upward; namely, business boom in the U.S. and Europe, and investments for economic development in certain of the underdeveloped countries. Japanese exports are tending to depend increasingly on economic and business fluctuations in the U.S. as well as in the above-mentioned special areas.

Imports: Statistics reveal imports to be lulling, but import incentives are still firm. Import indicators were high for July and August, but tended to dip in September.

Import Indicators (Mon. Ave.; In million dollars)			
	Customs	Foreign Exchange Settlement	Letters of Credit Opened
Jan.-Mar.	192	141	151
Apr.-June	215	161	153
June	213	146	151
July	204	156	140
Aug.	208	163	161
Sept.	180	149	144
July-Sept. 1954	178	147	116

Customs figures show that the import level in August stood quite high with rising intake of raw materials for iron-steel, sugar, soy beans and machinery (dip in import of raw cotton and pulp; lull in raw wool, petroleum and rice). However, in September, with import of raw wool sugar and rice lulling, both total values and foreign exchange settlements dipped. Statistics on import letters of credit openings also indicated similar trends.

From the above import trend particularly with the dip in September, it may be surmised that import sentiment is now at a downward trend. But other statistics seem to indicate otherwise. For instance, actual appropriations from the total foreign exchange budget for the fiscal 1st half (Apr.-Sept.) had risen to 73% by Aug.-end. In particular, the rate was 81% for the automatic approval budget (within the total budget amount) reflecting swelling import incentives on scrap iron, raw rubber, feeds, etc. (Respective percentages for the corresponding period last year were 67% and 58%).

Import L/C Opened (In millions of dollars)				
	Dollar Area	Sterling Area	Open A/C Area	Total
1953 Apr.-June Ave.	61	52	52	165
July-Sept. Ave.	82	37	38	157
Apr.-Sept. Ave.	71	44	45	160
Oct.-Dec. Ave.	110	42	55	207
1954 Jan.-Mar. Ave.	114	42	36	192
Apr.-June Ave.	81	33	36	150
July-Sept. Ave.	53	23	40	116
Oct.-Dec. Ave.	69	36	27	132
1955 Jan.-Mar. Ave.	62	48	42	152
Apr.-June Ave.	62	49	42	153
July	58	48	34	140
Aug.	76	53	32	161
Sept.	72	47	25	144
July-Sept. Ave.	69	49	30	148

To meet this insatiable import demand, especially for the major budget-eating items as iron-steel raw materials, crude oil, soy beans, sugar as well as items under the automatic approval budget, the total foreign exchange budget for the 1st half ending last September was supplemented (by \$103 million for Aug.-Sept. including the \$50 million reserve; allocation by goods \$68 m., automatic approval \$35 m. Original commodity fiscal 1st half import budget was \$1,161 million).

Moreover, the import foreign currency budget for the fiscal lower half (Oct. '55-Mar. '56) was given quite a spread in view of the favorable turn in the nation's foreign currency holdings, expansion in exports as well as rising production activity.

Import prices, which had shown signs of dipping following the peak early in the year, again tended upward in July-August. Influences of rising ocean freight rates since late last year on Japanese import prices were relatively slight up to now because of the gap created by long term contracts on regular ocean freight, together with the dip in f.o.b. prices on staple foods.

However, the future is problematical as rising industrial raw material prices (iron-steel, salts, phosphates) and c.i.f. prices are gradually exerting influences on domestic prices, and further, as regards iron-steel raw materials the supply is tight and prices are rising, thereby causing anxieties in insuring adequate supply.

Receipts from Security Forces: Over-all receipts from the Security Forces were relatively favorable, but procurement contracts were dull for August and September. For August and September, over-all receipts were \$50.9 million and \$53.8 million respectively, bringing the cumulative total (Apr.-Sept.) to \$283 million (\$318 million for the same period last year). Favorable deposits by the U.S. Army, large yen sales by foreign banks for personal consumption needs plus rising I.C.A. purchases for Indonesia kept total receipts from the Security Forces at a favorable level.

Special Procurements (Both \$ & Y Contracts) Compiled by the Bank of Japan			
		(In millions of dollars)	
		Goods	Services
June 26,'50-June 30,'51	230	99	329
July 1,'51-June 29,'52	236	80	316
June 30,'52-June 30,'53	306	187	494
1953 2nd Half Total	56	102	158
1954 Jan.-Mar.	15	30	45
Apr.-June	63	40	103
July-Sept.	35	49	84
Oct.-Dec.	9	14	23
1954 Total	122	133	255
1955 1st Half	42	45	87
July	3	29	32
Aug.	4	5	9
Sept.	5	5	10

Balance of Payments: Turning decidedly favorable in June, the balance of payments continued to reveal large surpluses in August (\$48 million) and September (\$82 million). Even subtracting payments under deferment, the surplus balances were \$42 million and \$76 million respectively. These highly advantageous balances were due to favorable commodity trade balances and receipts from the Security Forces. Foreign exchange-based exports for the two months recorded post-war peaks (the sharp rise for September was partly due to the switchover to cash settlement on ships exports).

Reflecting the above trend, the balance of payments (foreign exchange receipts and payments) for the fiscal 1st half (Apr.-Sept.) showed a surplus of \$233 million (\$144 million, excluding payments deferred). This is a decided improvement over the surplus recorded for the like period of the previous year (\$79 million, and \$44 million).

On a currency breakdown basis, the surplus for August and September was covered largely in dollar settlement, with the sterling and open account settlements at either a near balance or slightly on the surplus side.

KOREA'S FERTILIZER PLANT

The engineering, procurement and operation for one year, of Korea's first urea fertilizer plant was agreed recently between the Govt. in Seoul and an American group. The plant will be financed with \$19.5 million in American aid funds. Hwan cost of the project will amount to fifteen hundred million, supplied by the Republic of Korea. UNRRA made an important contribution to the development of plant for this vital industrial facility, having financed the preliminary engineering work. Two American firms, individually and as a joint venture, known as McGraw-Hydrocarbon, are contractors in charge of the installation, and of the training of Korean operators. The plant represents a great asset to the economy of the Republic of Korea. A long step forward has been taken toward national self-support in the development of Korea's farm lands. The capacity of the plant to produce a substantial proportion of fertilizer which now must be imported will release large sums of foreign exchange. This project is the largest investment made since the armistice in a single factory. It demonstrates the intent of the U.S. to help develop Korea's industrial capacity.

To be built on a site across the Han River from Chung-Ju, this fertilizer plant will be capable of producing at least 250 metric tons of urea per day, containing not less than 45 per cent nitrogen. Its annual output is expected to be

85,000 metric tons of urea, or one-third of Korea's yearly nitrogen requirements. The manufacturing processes involve the gasification of fuel oil into ammonia at the rate of 150 metric tons per day of ammonia, from which prilled urea is made. "Prilled urea" is the form in which the fertilizer is provided to farmers. The final product contains properties of especial value to the soil of Korea's agricultural areas.

McGraw-Hydrocarbon will complete the plant facilities of Korea's major construction project within thirty months. The contractor will maintain supervision over the operation for one year after the mechanical completion of the plant. The fertilizer factory will be sold to private interests but the conditions governing the sale and transfer of ownership have not yet been worked out; a private corporation in which the public may purchase shares is envisioned as the ultimate owner. McGraw-Hydrocarbon will bring to the United States and other countries, during the period of construction, selected Korean personnel for training in the construction, maintenance, operation and management of the fertilizer plant. These trained people will be assigned to their functions in the plant after it is completed. Korean personnel, in addition to those who will be trained outside of the Republic, will be taught the functions of equipment and processes as they are being constructed.

DEVELOPMENTS IN SINGAPORE

BUDGET SESSIONS

The first Budget of a predominantly elected Government of Singapore was presented to the Legislative Assembly on November 9th, 7 months after its coming to power by Mr. T. M. Hart, the Financial Secretary. In general it provides for a steady advance in the Social Services, but makes no major increase in taxations. The total estimated expenditure is \$231 million, including a contribution of \$20 million to the Development Fund. Estimated expenditure is \$208.4, making a deficit of \$22 million, while there will be new taxation on liquors, petrol and Estate Duty, estimated to yield \$7.5 million. The remainder will be met from reserves or from increased taxation.

Mr. Hart said the financial position was sound with its Special Reserve Fund of \$96 million and a General Revenue Balance of \$130 million, \$109 million of which was tied up in long-term loans, e.g. for housing. But while revenue seemed to be levelling off at \$205 million, Singapore was entering a period of relentlessly rising costs for social services.

The annual costs of education services for example had risen from \$10.7 million in 1951 to \$31 million in 1955, and with the addition of \$10 million for vernacular education to an estimate of \$46 million in 1956. Medical Services had grown in cost from \$11.5 million in 1950 to \$22 million in 1955, and an estimated \$25 million in 1956. At this rate, expenditure on these two services alone would reach \$109 million by 1959. Similarly \$50-60 million will be required annually for housing. Government was therefore examining plans to keep them to the minimum standards consistent with efficiency. Defence estimates fell from the \$29 million of 1955 to \$12 million.

On taxation policy, Mr. Hart said that with its free port policy, the taxation system should be as direct and simple as possible and that the fiscal policy of the two Malayan territories should be the same. The Government had decided

that purchase and luxury taxes were impracticable. They had also considered increases on income tax up to 60% on incomes above \$25,000 and on estate duty, and a motor car registration fee, and proposed them to the Federation Government.

Registration fee had therefore to be dropped as only operated with the greatest difficulty and the greatest opportunity for evasion if applied in only one part of an area which is economically one. The new taxation was therefore levied on liquors to bring in \$2.8 million, on petrol to bring in \$1.2 million and a graduated duty on estates above \$10,000 in value. No increase on tobacco duty was made.

The debate on the Second Reading was resumed on November 21st. The debate produced little constructive criticism, but many political debating points which, as in the Committee stage, concentrated on the entertainment and transport allowances of Ministers. There was general criticism for not raising the taxes on cigarettes to reduce the gap. Mr. G. A. P. Sutherland accepted future taxes as necessary and inevitable, and referred to the limit imposed on the power of taxation by the need for agreement with the Federation and the influence it gave to the Federation Government, while Mr. Lee Kuan Yew thought that as in his view, the Federation would have to increase income tax, there was no reason for Singapore's hesitation now. The Progressives held the petrol tax was a tax on the middle class. The standard of Government buildings was criticised, but the Minister for Communications and Works said that steps were being taken to ensure economy in design and construction. The Progressive and Democratic speakers spoke of the need for a Budget policy to encourage investment. The Peoples Action Party speakers expressed disappointment at what they called a "colonial-style" budget which was not Socialist enough in content, nor urgent enough to needs of the time. Mr. Hart in summing up said the Opposition had underestimated the progress in social services already, although the Government had to cut its cost accord-

ing to its cloth. Perhaps the general nature of the debate arose from the lack in the Assembly procedure of the House of Commons equivalent of the Supply Days when the work of each Ministry can be debated in turn. The Committee sessions and the Third Reading are expected to last for six days, the longest session of the Assembly so far.

LABOUR FRONT DIVISIONS

The Labour Front Conference on October 29th was called to consolidate the unforeseen success of the Labour Front in the elections last April. The Front was established last year primarily as a coalition to fight the election on an agreed platform, and end the divisive tendencies in the history of Labour politics since 1946. The Labour party and the Socialist Party which formed the front were each dissolved, leaving the Front as a group of leaders, without a party organisation through which to maintain contact with their followers, and from which to draw political strength. In the early stormy months of the new Government it was not possible to call a Conference to build the kind of party basis in the constituencies which was an explicit assumption of the Rendel Report. But with the Public Security Bill battle won, and with the success of the Chief Minister as Chairman of the Colombo Plan Conference, there seemed an easing of the situation which allowed the calling of this Conference to approve a new constitution, to elect officers, and to define Party policy.

The auspices proved too far. First, one of the original directing triumvirate of the Labour Front announced he would propose motions against the Public Security Ordinance and in favour of recognition of the M.C.P., both clean contrary to the policy of the Labour Front coalition Government. When the Conference met, on the first day, it elected Mr. A. R. Lazarous its Chairman, and Mr. C. H. Koh its Secretary. Mr. Marshall challenged the elections, and Mr. Lazarous refused to act on a motion to check the credential of those voting. At this, a number of the delegates left the meeting tearing up the cards and they were followed by Mr. Lazarous. Mr. Marshall said he had evidence that they were not delegates, but men paid \$5 to come to impersonate delegates, pack the meeting and vote for a list which was hostile to the Government. The following day, Mr. Koh also walked out, and the remaining carefully-checked delegates elected new officers and defined policy. Mr. Lazarous denied the allegation, claimed he was still Chairman, and threatened libel action against the Labour Front. He claimed that he stood for a policy of "careful moderation" and against an "extremist" group led by the Chief Minister. The new Committee have asked the police to investigate the allegations against Mr. Lazarous.

This outcome, ahead of the Chief Minister's visit to London and of the Budget debates, was as unexpected as it was unpalatable. It brought no immediate loss of prestige to the Government as a group of individuals, for the leaders of the revolt were not seen as leaders, capable of building a new party of policy, or mobilising opinion against the Government. Nor did any of the other parties welcome their adherence or support. But it became wider than a party matter on November 8th when the Assembly met for its Budget Session. For Mr. Lazarous and Mr. Lee Choon Eng crossed the floor from the Government to the Opposition benches, making the numbers even on both sides of the House, and leaving only 11 of the 25 elected members on the Government side. The Progressive and the Democratic parties claimed this was not in the spirit of democracy and called for a new coalition, not believing a new election was necessary. While the Chief Minister said he would welcome "honest citizens" of the Progressive or any other party, he emphasised he would not change the essential policy of his Government. As the days came nearer the adjourned

meeting of the Budget debate on November 21st, there were rumours of a Vote of No Confidence in the Government. The Chief Minister accepted the challenge and said he would resign and call for elections if defeated. But there was no suggested alternative government or policy, and the opposition was divided into three parties, 5 independents and the two rebels from the Labour Front.

On the day, the Budget was carried by 19 votes to 13, the Opposition showing more homogeneity than expected in voting, but still divided in their motives. Two nominated members and one elected member Mr. M. P. D. Nair voted for the Government. The Progressive and Democratic Parties have repeated their argument that as a minority of elected members voted for the Government, it should resign. But the Chief Minister maintains his constitutional position under a constitution which he accepted as the means towards his policy of self-government and democratic socialism. And it is not likely that, if the opposition cannot muster more than their 13 votes in the negative issue of opposition, they will find an agreed positive programme to muster a greater threat.

BUS STRIKES

Singapore is a city without buses.

On top of the existing S.T.C. strike has come a lock-out by all the major private bus companies which are Chinese-owned. Special lorry-service has been organised for school-children, and the school Christmas holidays brought forward a week. Meanwhile, with improvised transport services, with taxis, legitimate and illegitimate, and with yet more bicycles on the road, the people have carried on with little protest in their resignation. On the S.T.C. strike, there will be no negotiation until there is agreement on the date from which new rates will be effective, and the S.T.C. are asking after the interruption of the previous agreement repudiated by a new Union Committee, before its expiry for some permanency for the new agreement. The Chairman Sir Thomas Strangman has now returned to London. Meanwhile, a Transport Commission is sitting under the Chairmanship of Mr. L. C. Hawkins, of the London Passenger Transport Board, and the Government has announced that they will take no steps to acquire the S.T.C. until an island-wide transport policy has been worked out.

The lock-out of the other bus companies proved an unexpected reversal of roles after the strength built up by the Bus Workers Union with its P.A.P. affiliation since the May riots. They called a lightening strike against the Tay Koy Yat Company with demands which went beyond wage rates to the power of the Union, including its approval of new men to be employed. All bus companies then fell in behind the Tay Koh Yat Company, in resistance to the demands which would have put them all at the mercy of the Union. They put three demands to the Union which included respect of their right to run their companies and a promise against lightening strikes. Meanwhile, the strike of another union of the group with P.A.P. affiliations against Cold Storage has ended in failure, while their attempt to take over the wage negotiations with the Telephone Board have so far failed. They attempted to persuade those found guilty of unlawful picketing to go to prison rather than pay a fine. But enthusiasm did not stretch as far as that, and a number, who first chose prison, have since paid their fine and got freedom. Yet the membership of this group of union grows as do their funds, and their power and their persistence cannot be ignored.

GOVERNMENT ECONOMIC AND WELFARE ADVISERS

At the Legislative Assembly meeting on November 21st, the Chief Minister announced the appointment of an Econo-

COCOA GROWING IN MALAYA

Cocoa is not an easy crop to grow. Soil and climatic requirements are narrowly defined; pests and diseases many and destructive. The shade-loving tree itself, not dissimilar in size from an apple tree, takes six to seven years to reach commercial bearing, produces maximum yields from 15-25 years, with gradual decline thereafter. Replanting is difficult and new plantations confined to jungle lands. These are generalisations which have to be kept in mind when considering the prospects of increasing world production of cocoa.

The need for increased supplies is the common theme of cocoa manufacturers, and the planter is now wooed with the prospect of remunerative prices for many years to come. But can he increase his production, and if so how and where? It is pertinent to recall that some 80 per cent. of the world's cocoa comes from West Africa and Brazil and is the result of massive plantings established during the first 30 years of this century. During that period of rapid expansion the soils most suited to cocoa were exploited, leaving now little reserve of similar soils for future development. But perhaps more important than this is the fact that most of the early plantings have passed their peak of production and are declining—in some areas gradually, in others with catastrophic rapidity. In West Africa, swollen shoot disease and insect pests have been the major cause of rapid decline. To control swollen shoot 30 million cocoa trees have been cut out during the past ten years and this is probably only a fraction of the number of trees killed by the disease before control measures got fully under way. There are no statistics to focus attention on the amount of damage done by insect pests, but such damage is almost certainly as great in the aggregate as that caused by swollen shoot disease.

mic Advisory Unit and a Committee on a Minimum Standard of Living. Sir Sydney Caine, Economic Adviser to the Chief Minister will be Chairman of both. The purpose of the Economic Advisory Unit is to advise Government on general economic policy, on the programme of capital investment and on the economic aspects of social policy. Specific projects are those of a Central Bank, an Industrial Development Corporation, and a long-term development programme.

The Committee on the Minimum Standard of Living will concern itself with social security, including unemployment insurance and legislation on minimum wages, either in general or in particular industries.

INDONESIAN BANK IN SINGAPORE

One of the first fruits of the Chief Minister's Goodwill Mission to Indonesia appeared in Singapore on November 19th when the Singapore Branch of the Bank Negara Indonesia, the State Commercial Bank, was opened in Singapore. It is the first overseas branch of any Indonesian bank and it is a good augury for Singapore's future that Singapore should be the first stepping-stone. The President of the Bank, Dr. Karim, defined its aim as the "assistance of commercial enterprise both in Singapore and Indonesia to develop substantially trade relations between our two countries". At a reception on the evening in celebration of the opening, the Governor, Sir Robert Black, expressed his satisfaction at "this manifestation of Indonesia's closer association in business activities with us and a demonstration that the endeavours during recent months on the part of both Governments to encourage close co-operation and friendship will be strengthened by the presence of this new link."

The modern technique in tropical agriculture is to replant when a permanent crop has passed its peak yields. Thus replanting is held to be the only salvation of the natural rubber industry in Malaya. Can West Africa and Brazil adopt this technique in their cocoa plantations, and, if so, will they do it? Replanting trials in West Africa have not led to wholly satisfactory results. In marginal climatic areas, replanting has failed: in suitable areas it is being found that cocoa takes considerably longer to come into bearing than did the original planting. And if replanting, with its concomitant complete loss of crop for eight to ten years, is unpopular with shareholders, it is far more so with peasants who own the cocoa plantations in West Africa.

The writer is driven to the conclusion that the next half century will see no significant increase in cocoa production from West Africa. Indeed, the intensive research now being carried out there and the extension services endeavouring to implement research results will do well if production can be maintained at present levels which have averaged annually 463,000 tons since World War II.

The prospects in Brazil may be more encouraging, depending on the amount of land suited as to soil and climate awaiting development, but, as a whole, it is quite certain that the plantations established in the first quarter of this century will be yielding far less in the last quarter than they now are.

The prospects for increased world supplies appear, therefore, to lie in the development of cocoa in countries other than West Africa and Brazil. Malaya is one such country, and the target set is an annual production of 100,000 tons, representing an area of some 300,000 acres under that crop. From time to time, plantation companies in Malaya have toyed with growing cocoa and almost all these early trials failed. It is only since 1949 that serious attempts, based on experience gained in other countries, have been made, and these attempts show promise.

The gestation period in giving birth to this industry is being delayed by two factors, inadequacy of approved planting material and lack of knowledge in the technique of establishing and growing cocoa under Malayan conditions. Examination of the few cocoa trees fruiting in Malaya in 1949 disclosed none of the type required for founding a new industry. Introductions were, therefore, imperative but could only be made in small quantities because of the strict quarantine necessary to guard against the introduction of those pests and diseases which are causing such havoc in other cocoa-growing countries.

Multiplication of these introductions has been proceeding rapidly, and in a few years should be adequate to meet likely demands. Accumulation of technical "know-how" on the establishment of cocoa has been keeping pace with the multiplication of planting material.

There are now blocks of cocoa as healthy and vigorous as any of comparable age the writer has seen in the West Indies or West Africa. But it must be admitted that these have received attention greater than that accorded by peasant cultivators.

Malayan Cocoa Ltd., is at present the only estate cultivating cocoa commercially. The main plantings started in 1953, and it is with no small degree of interest—indeed excitement—that the progress of this venture will be watched.

In Malaya, where thought is dominated by rubber, cocoa must prove itself to be a profitable competitor to the well-known and easily grown Hevea. Unfortunately, the two

ECONOMIC REPORTS FROM THE PHILIPPINES

New Commerce Edifice: A new Bureau of Commerce building in Manila costing P1,500,000 will soon be constructed with funds of the Government Service Insurance System. The Bureau of Commerce expects to repay the GSIS in ten years from the rentals of office spaces and stores on the ground floor. The self-liquidating project is in line with President Magsaysay's policy of helping bureaus and national government offices to acquire more ample office accommodations.

Home Industries: Cesar Z. Lanuza, director of planning of the National Economic Council, assured the Home Industries Association of the Philippines NEC support. He emphasized the importance of cottage industries in the economic development of the country. Home industries provide employment and full utilization of the country's natural resources. "We have the necessary raw materials in abundance for basketry, handbags, household articles, decorative objects, and many other useful articles. We have also the idle manpower, particularly in the agricultural areas where our farmers have a lot of time to kill between planting and harvest." He deplored the slow development of cottage industries despite the abundance of raw materials and available supply of manpower. He did not see capital requirement as a reason of the slow progress of the cottage industries. He stated that for home industries, "capital requirement is not substantial." One reason behind the slow development of cottage industries could be the absence of an agency that would handle the distribution of finished products. The Philippines could have flourishing cottage industries in comparison with other countries in Asia which did not have adequate supply of raw materials.

Survey of Economy: Preparatory work for a comprehensive statistical survey of the Philippine economy including an appraisal of government statistical services, under the joint sponsorship of the National Economic Council and

cannot be cultivated together, and cocoa will not generally thrive on old rubber lands. The yield per acre of cocoa may be expected to be rather less than the yield from modern rubber, but costs of establishment may be similar.

Cocoa planted on the Department of Agriculture stations in 1950 is already coming into bearing—that is several years sooner than rubber. The choice between rubber and cocoa must rest on the future price prospects of these two commodities. It is the writer's view that cocoa will need to be approximately double the price of rubber if a cocoa industry is to expand rapidly in Malaya.

While the climate throughout seems well suited to cocoa, the soils are patchy and diverse—only the best will support this crop. Soil surveys are now being undertaken to demarcate such areas, and there seems little doubt that a total of 300,000 acres will be disclosed. For the most part these are expected to lie in the jungle lands of the centre and east of the Malay peninsula.

As is inevitable, large areas of jungle reflect a scanty population, but it is believed that the rapid birth rate and improved communications will ensure an adequate labour force either for an estate or small-holder industry, both of which are envisaged. Some reluctance to pioneer new lands with a new crop must be expected, but profit is a remarkable incentive.

— O. J. Voelcker

the International Cooperation Administration (ICA), is now in full swing. The main objectives of this project are: (1) to produce up-to-date statistical data on the size, composition, and geographical distribution of the population, manpower supply and demand, and economic activities of the country and set up a specialized field organization for collecting such data on a continuing basis, and (2) to review existing statistical offices with the view to improve the overall statistical operations of the Philippine government. The statistical survey project will be carried out as a joint undertaking of the NEC with Philippine government agencies having specific interest in the various fields of statistics, in cooperation with a team of five top-level U.S. statisticians provided under an agreement with the International Statistical Office of the U.S. Bureau of Census.

P.I.-Japan Trade: The Philippines showed a favorable trade balance of \$94 million with Japan, \$12 million of which has remained collectible since August of this year. Total trade between the two countries at the end of August stood at \$369,284,411 in favor of the Philippines. The balance of trade amounted to \$94,067,974. MITI in Tokyo allocated about \$33,600,000 worth of foreign exchange for the importation of sugar under the Oct. 1955-March 1956 budget.

Trade with Europe: The Central Bank disclosed that a decisive step toward stimulating Philippine-European trade by the use of currencies other than United States dollars was initiated by Governor Miguel Cuadernos at Istanbul last September with the delegations of the United Kingdom and of the German Federal Republic in the course of the 10th annual meeting of the International Bank and the International Monetary Fund. These steps were taken not only in anticipation of the forthcoming diminution of preferential trade privileges with the United States as provided by the revised trade agreement with that country and the need to establish new markets for Philippine exports and alternative sources of supply for Philippine imports, but also to determine whether or not any amendments to the present policy of international payments adhered to by the Central Bank might provide sound, long-run stimuli to domestic production and employment levels.

There appears to be little disposition on the part of major European trading countries to accept partially convertible currencies such as transferable sterling in payment for their exports to the Philippines partly because of the general trend toward free currency convertibility. Special interest in trading with the Philippines noted among European countries has been influenced by the fact that the Philippines has been able to maintain its external payments system on a convertible currency (U.S. dollars) basis and that the introduction of new payments agreements which are necessarily restrictive may dampen rather than strengthen the interest already existing. The question of encouraging a greater exchange of goods between them and the Philippines was regarded primarily as a trade problem rather than a payments problem. Under such conditions, it was held that payments agreements were no substitute for general commercial treaties, straightforward trade promotion, increased contact between the traders of both areas, and the fundamentals of product quality and price.

Jobless: A plan for the organization of a national network to solve the country's serious unemployment problem was announced. The plan calls for the creation of 52 em-

ployment centers all over the country under the supervision of the national employment service. An employment center will be established in every province with adequate personnel in accordance with the labor potential of the locality. The employment centers will do the canvassing of job seekers in their locality with respect to their skill and aptitude. The center will then contact all business establishments for job openings. With the organization of these employment centers, provincial job seekers will be saved the trouble and financial sacrifices of coming to the cities to look for work. Instead the government will take a direct hand in securing jobs for the workers. These employment centers will also do the work of gathering statistics on local labor situation, which will be of importance to the national economic planning.

Special Bank: Alfredo Montelibano, chairman of the National Economic Council, declared that plans to establish a private bank with government assistance financed by the World Bank were being studied by the government to help domestic producers and industrialists. The bank may be established by private capital; and the government will lend its assistance. The amount of assistance given by the World Bank would depend on the needs of the Philippines.

Concrete Paving of Roads: Public Works Secretary Florencio Moreno bared plans for the concrete paving of all national highways and principal roads throughout the country. The plans envisioned replacement of asphalt which still was being utilized as a principal paving material in many sections of the country. The plans could be implemented as soon as the department could find a cement firm which would offer around P2.50 per bag. Concrete paving of all highways and principal roads with cement purchased at P2.50 per bag would insure normal disbursement commensurate with expected savings from reduced maintenance costs. Current paving procedures had been using an eight-inch concrete paving. As planned, only four-inch thick concrete would be used. Studies conducted by road experts showed that a four-inch cement pavement would cost as much as a three-inch bituminous (asphalt) pavement and a cement-paved macadam would cost only a little more than an asphalt-treated road of the same type.

Philippines as Trade Center: Increasing American interest in making the Philippines the center of their trade operations in the Far East was reported by Senator Gil Puyat. American interest in business possibilities was a result of frequent study and observation trips by businessmen to the Far East during which they appraised possibilities for investments. However, there were two factors that still made American businessmen apprehensive. There are the continuance of controls and what has been noted as a growing spirit of nationalism. There was favorable climate for foreign investments. The Philippines is now the only country offering Americans better business returns for their investments regardless of the exchange controls.

Foreign Trade

January-August, 1954 and 1955
(F.O.B. value in million pesos)

Item	1955		1954	
	Amount	Percent distribution	Amount	Percent distribution
Total exports	552.5	100.0	573.4	100.0
Cocunut and cocunut preparations	194.3	35.2	192.8	33.7
Sugar and related products	176.2	31.9	172.3	30.1
Logs, lumber and timber	58.1	10.5	43.6	7.6
Minerals and metals	48.8	8.8	48.6	8.5
Fibers and manufactures	40.0	7.3	41.0	7.1
Fruits and preparations	11.1	2.0	9.7	1.7
Wood, bamboo, rattan and reed manufactures	4.0	0.7	1.6	0.3
Tobacco and manufactures	3.4	0.6	7.1	1.2
Cotton and miscellaneous fiber products	2.1	0.4	7.8	1.4
Others, including re-exports	14.5	2.6	47.9	8.4
Total imports	722.6	100.0	633.3	100.0
Machinery and transport equipment	138.2	19.1	118.2	18.7
Food	130.6	18.1	96.3	15.2
Textile yarn, fabrics & made up articles	117.0	16.2	102.3	16.2
Mineral fuels and lubricants	73.0	10.1	77.6	12.2
Chemicals	51.8	7.2	49.6	7.8
Base metals	49.2	6.8	40.4	6.4
Paper, paperboard and manufactures	25.0	3.4	20.8	3.3
Manufactures of metals	24.6	3.4	24.9	3.9
Beverages and tobacco	24.4	3.4	19.0	3.0
Rubber manufactures	22.9	3.2	18.9	3.0
Others	66.0	9.1	65.4	10.3

BOOK REVIEW

ATOMIC ENERGY IN THE BRITISH COMMONWEALTH

By Professor E. Stuart Kirby

H.M. Stationery Office has recently published a useful booklet summarising the progress of atomic energy research, and the production of equipment in this field, in the British Commonwealth. It is entitled "The Commonwealth and Nuclear Development" (Central Office of Information, HMSO, price 2s. 1½d.). This reviews the U.K. work in atomic energy and its industrial applications, similar work in other Commonwealth countries, and also in other lands: a concluding section discusses the possibilities of internal co-operation between them.

It is clear from the account here given that the countries which were first in this major line of development are now putting an enormous effort and investment into the peaceful application of nuclear power. At present the principal product, and the primary return, continues to be the output of radio-isotopes, but the possibilities of using heat produced by nuclear fission for generating electric power are also being developed. The isotopes are already very useful for medical treatment and research, and for industrial research purposes. Between 1947 and 1955 the production and distribution of these isotopes increased rapidly and steadily. In 1954 there were about 20,000 shipments compared with 135 shipments in 1947. Exports in 1954 were over 50% of the value of the 20,000 deliveries. The exports of radio-isotopes by the United Kingdom, it may be emphasized, are greater than those of all other countries in the world put together. Out of the shipments to destinations within the United Kingdom itself, about one third went to medical research establishments and hospitals, and nearly 20% to industry; the rest was used mainly for general or unspecified research. The industrial uses of radio-isotopes in the U.K. is greatly extending; many examples are given in the booklet.

The report is specially reassuring about the risks to workers in atomic power plants and factories making use of atomic energy. There are special dangers to health, both in the use of materials and in the disposal of waste matter and effluents, but special and elaborate precautions are taken throughout which make this form of work actually safer than any other in the United Kingdom.

A NEW APPROACH TO ECONOMICS

By Shu Woon Chan (Chap Shing Publishing Company, Hongkong, or Chung Ching Book Store, Taipei, Taiwan. pp. 550)

This work in Chinese is a most welcome addition to the materials available to the Chinese reader in this subject. The book is derived from a series of lectures designed for undergraduates. It is divided into ten parts with a brief introduction. Because it is descriptive rather than analytical in the way of presentation the reader can without any difficulty find passages throughout the book, written in note-form, itemized and numbered. This device certainly eases the course of studies by providing the reader with ready-made answers instead of setting example questions. Nevertheless, the source of references for each chapter can be

best used as a suggested list for further reading. The meanings of economic terms are well-defined although they are not by any means original.

In the Introduction, economics is described as dynamic rather than static. This reviewer doubts very much whether the Introduction can adequately equip the undergraduate beginner with sufficient knowledge to proceed to the chapters that follow.

Part I sketches the history of economic development. The author places great stress on this Part, the reason being that economic development has a definite orbit and order, a certain cause and effect, the understanding of which will enormously facilitate the study of contemporary economic affairs. The scope of this Part is wide, ranging from the Middle Ages to the present day. A chapter is added on China's economy from the "closed-door" and "self-sufficiency" period down to the Communist Liberation. This chapter, unfortunately, fails to justify itself in giving a clear historical description of China's economic development.

Part II deals with economic doctrines. It is indispensable, according to the author, for the study of Economics. The arrangement of the economic schools and thinkers is thorough-going and systematic. It succeeds in giving the reader a rich knowledge of the development of economic thought. However, this reviewer tends to suspect that a large proportion of this Part is a direct translation of L. H. Haney's work on "The History of Economic Thought."

Part III is an evaluation of production under the capitalistic system. The author in the first two chapters discusses the characteristics of capitalism and the four fundamental factors of production. He then devotes the third chapter to the study of costs and the theory of a firm. In the fourth and fifth chapters he proceeds to examine agriculture and industry, and assesses the place of production in the field of economy.

Part IV is on enterprise. Chapter 1 is a general survey of the management and supervision of agriculture and factories. In Chapter 2 the author outlines the limitations of monopoly and free enterprise; compares the merits and demerits of nationalization. Chapters 3 and 4 are designed to introduce the risks in enterprise and to examine the counteracting measures.

Money is dealt with in Part V. The reviewer is pleased to note that this Part managed to cover so much ground in so little space. The first two chapters are on the history of the evolution of money, its characteristics and functions. The next two chapters treat the practice of money in respect of the monetary standard and the relationship between monetary value and commodity price.

Part VI relates banking to international finance. It traces the development of banking and examines its functions. Types and business of the bank are exemplified. Problems of internal and foreign exchange have not been omitted. The last chapter includes the inter-dependence between international economy and international finance, the money market, capital and security markets, and finally the IMF and IBRD.

Part VII is a discussion on a number of practical problems purporting to labour, wages, finance, tariffs, population, consumption and co-operative movements. The province of this Part is wide and inclusive. The arguments are well grounded.

Part VIII is on the economy under totalitarian control. It discusses many aspects such as economic control, produc-

THE COMMUNICATIONS OF NORTH BORNEO

HARBOURS AND SHIPPING

Ports

The principal ports in order of tonnage handled during the year are Sandakan, Labuan, Tawau and Jesselton, all of which have good anchorages for ocean-going ships. Sandakan is the main transshipment port for the East Coast and is also the centre of the timber industry, while Labuan is the transshipment port for the Brunei Bay area including the oilfields at Seria. Tawau lies to the south-east, and its importance is growing with the development of the timber industry in that area. Jesselton, the capital of the Colony and the only port of any size other than Labuan on the West Coast, is also the terminus of the railway which serves the coastal plain of the West Coast and the Interior.

Other ports are Kudat in the north; Lahad Datu on the East Coast, which serves the Darvel Tobacco Plantations, Ltd., and is the official port of entry for vessels loading timber at Kennedy Bay and Bohian Island; and Semporna (also on the East Coast) which is mainly a fishing port.

Wharfage available during 1954 was as shown below:—

Port	Frontage	Capacity
Labuan	1025 feet	One ocean-going and 4 coastal vessels
Sandakan	650 "	One 3,000-ton and 2 coastal vessels
Jesselton	328 "	One 3,000-ton and 1 coastal vessel
Tawau	155 "	One 3,000-ton vessel (using mooring dolphins)
Kudat	123 "	One 3,000-ton vessel (using dolphins and buoy)
Lahad Datu	80 "	One coastal vessel
Semporna	40 "	One coastal vessel maximum 500 tons (using mooring dolphins)

tion, trade, money and finance, and the people's standard of living. The author compares and contrasts the different totalitarian systems, namely Nazism, Fascism and Communism. The last chapter in this Part concludes with commentaries on comparative economic systems.

The various theories of value are exhaustively examined in Part IX. This Part embraces the cost of production theory, labour theory, surplus value theory, theory of marginal utility, and some new theories. Shortcomings of the various theories are discussed and compared in the last chapter.

Economic organizations is a topic in the last Part of the book. The author discusses the meaning and evolution of economic organizations, and moves on to explore the foundation and control of capitalism. The prospects of various economic organizations are viewed; and the author concludes this Part with an eulogy on an ideal state of co-operation.

In brief, Part I is the history of Economic Development and Part II, Economic Doctrines. In the author's opinion, students must equip themselves with this knowledge before they can have a full understanding of Economics. Parts III to VIII deal with Modern Economics and the author has given a vivid picture of the economies of the various nations, their systems, organizations, functions and implementations. Parts III to VII are almost entirely concerned with the economy of the free world, whilst Part VIII deals with the totalitarian economy. Parts IX and X consist of economic theories.

— Ng Kwok Leung
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Good progress was made with the programme for the reconstruction of the main wharves at Labuan, Jesselton and Sandakan, almost half the cost of which is being financed by the U.S.A. Foreign Operations Administration. The 600-foot wharf at Labuan was completed and ocean-going ships can now berth with a least depth alongside of 24-foot at low water spring tides. Work on the construction of a new 750-foot wharf at Sandakan began in October, and will be completed in 1955, and tenders were called for the rebuilding of the Jesselton wharf.

14,249 vessels, of which 1,316 were ocean-going and 12,933 coastal, with a total gross tonnage of 3,961,911, an increase of 619,517 compared with 1953, entered and cleared the ports of the Colony during the year. 737,732 tons of cargo were handled against 580,126 tons in the previous year and 571,643 tons in 1952. Passenger embarkations and disembarkations numbered 72,173, which is 2,012 less than in 1953.

Shipping Services

The shipping services operating during the year were as follows:—

The Straits Steamship Co.	— A regular weekly cargo, passenger and mail service from Singapore calling at Labuan, Jesselton, Kudat and Tawau.
The Indochina Steam Navigation Co.	— A weekly service to Labuan, Jesselton, Sandakan and Tawau from Hongkong.
The China Siam Line	— A fortnightly service to Labuan, Jesselton, Sandakan and Tawau from Hongkong and Japan.
The Glen Line) United Kingdom and European ports.
The Blue Funnel Line	
The Ben Line) South African ports.
The Bank Line	
The Eastern & Australian Steamship Co.	— Japanese and Australian ports.
The Australian West Pacific Line	— Japanese and Australian ports.
The Royal Intercocean Line	— Australian, Indonesian and Thailand ports.
The American Mail	— U.S.A. ports.
The Netherland Royal Dutch Mail	— United Kingdom and European ports.
The Royal Rotterdam Lloyd	— United Kingdom and European ports.
The Anglo-Saxon Petroleum Co., Ltd.	— Bulk petroleum to Labuan.
The N.B.T. Shipping Co., Ltd.	— A single vessel service to Singapore/Hongkong.
The Hongkong Transportation Co., Ltd.	— Ocean tugs and lighter service between Labuan and Singapore.

In addition, numerous miscellaneous chartered vessels loaded timber at East Coast ports.

Coastal Shipping

The Straits Steamship Company maintained a coastal service connecting with their mainland vessels (principally between Labuan and Brunei Bay ports) of six 200—500-ton vessels. Two powered lighters and three dumb lighters with tugs. Six lighters and four towing units owned by the Hongkong Transportation Company and based in Labuan, were used in the Brunei Bay area carrying stone to Labuan and cargo from Labuan to the oil port of Kuala Belait. Three vessels belonging to Messrs. Liddel Bros. & Co. carried stone and timber from Brunei to Labuan and Jesselton, and Messrs. Lo Bros. and Reynall Transportation Company operated one 300-ton LCT type craft and two 200-ton vessels between Labuan and Brunei and Sarawak ports. A fleet of

eleven LCT type 300-ton vessels continued to be used solely by their owners. The British Malayan Petroleum Co., between the transshipment port of Labuan and the oilfields at Brunei and Sarawak. The same Company maintained a 5000-ton storage lighter at Labuan for ocean vessel cargo storage. On the East Coast 131 barges, lighters, launches and tow units, totalling 8,915 gross tons, were in use by the timber industry.

Twelve Government sea-going vessels were in use during the year, of which six were administrative launches and the remainder belonged to other Departments. A fresh outbreak of piracy on the East Coast made it necessary to increase the number of anti-piracy patrols already being carried out by police and customs launches, and administrative launches were diverted from their normal duties for this purpose. Marine Department vessels engaged on the maintenance of lights, buoys and beacons steamed 15,000 miles during the year.

Registration of Shipping

Comparative figures showing the number of ships registered as at the end of 1954 and 1953 are as follows:—

	1953		1954	
	Vessels	Gross Tonnage	Vessels	Gross Tonnage
Colony registry of British ships (Merchant Shipping Act of 1894)	7	3,613	18	5,883
Local registry (vessels exceeding 10 tons not having a British registry outside North Borneo)	146	8,845	167	10,351

In addition 10,162 small local craft, of which 5,494 were fishing boats, were registered and licensed under the Boats and Fisheries Ordinance, 1914. The corresponding figures in 1953 were 9,928 craft of which 6,428 were fishing boats.

Ninety-one certificates of competency for local masters, mates and helmsmen, 82 certificates of competency for engine drivers, 156 survey certificates for marine service and registration, and 65 passenger licences were issued during the year. A total of 1,372 ships' officers and men, as compared with 936 in 1953, were engaged or discharged under articles of agreement before the Superintendents of Shipping at Labuan and Sandakan.

Ship Repair Facilities

Slipping and repair facilities are still inadequate. A 500-ton slipway owned by the British Borneo Timber Co., Ltd., at Sandakan is used mainly for the servicing of the Company's own vessels. The Government slipway at Labuan dealt with approximately 108 vessels, totalling 3,732 tons, the majority being launches owned by the Governments of North Borneo, Sarawak and Brunei. In addition, about 276 odd repair jobs were carried out on commercial vessels moored at the workshop repair jetty.

RAILWAYS

The Government-owned metre-gauge Railway provides the principal means of communication along the West Coast of the Colony and to Melalap in the Interior, and has been an important factor in the development of these areas. Starting from Jesselton, it serves the districts of Putatan, Kinarut, Papar, Kimanis, Bongawan, Membakut and Beaufort passing through a well populated countryside and serving many rubber estates. The line continues up the Padas River Gorge to the agricultural district of Tenom and beyond to Melalap, from which place an earth road connects with Keningau and Tambunan. From Beaufort a branch line, 20 miles in length, runs down to the coast at Weston, a small port in Brunei Bay. The branch serves further rubber estates and smallholdings.

The total length of the railway is 116 miles. The Beaufort-Weston section was first opened in 1900, and the line was extended to Jesselton and to Tenom in 1905. The whole system together with locomotives, rolling stock, machines, tools and general equipment degenerated from lack of maintenance and renewal during the enemy occupation period from 1942 to 1945, and also sustained severe damage from Allied bombing.

By the end of 1952 considerable progress had been made towards the rehabilitation of the system. The main line between Jesselton and Beaufort had been relaid with 60-lb. rail, all major bridges, including the 3-span bridge at Papar, had been repaired or rebuilt and the Pengalat tunnel widened and deepened to allow the use in future of standard metre-gauge locomotives and rolling stock. All this, to which must be added a limited rebuilding and replacement programme, constituted a great improvement, but much still remained to be done if there was to be an assurance of efficient and economic operation in the years ahead.

Accordingly a programme to complete reconstruction and to provide a measure of development was drawn up in 1953 and was submitted for approval to be carried out during the years 1954-1959. A good start was made with the programme during 1954.

Orders were placed for new locomotives and rolling stock and for permanent way materials for the relaying of the section between Beaufort and Tenom in 60-lb. rail, and preparations were made to re-align and regrade this difficult section in the Gorge of the River Padas. When this section is completed, it will be possible for through trains to run between Jesselton and Tawau, and it will no longer be necessary to maintain the yard and workshops at Beaufort at present needed because the difference in the standard of track between Beaufort and Tenom on the one hand and Beaufort and Jesselton on the other necessitates the use of different locomotive units on the two sections. The permanent way between Beaufort and Jesselton was improved by standardization of the formation and drainage and by reballasting. At Beaufort the demolished ferry staging and approaches were rebuilt. The reconstruction and replacement of war damaged and dilapidated buildings continue, including goods sheds, workshops, workmen's and staff quarters, and twelve small bridges. The power and rolling stock position was as follows:—

	In Service 1954	Under overhaul	Re- building	Awaiting rebuilding	Total
Steam locomotives	8	—	1	—	9
Diesel locomotives	3	—	—	—	3
Petrol locomotives	2	—	—	—	2
Railcars (6 seats)	4	—	—	—	4
Railmotor sets (62 seats)	2	—	—	—	2
Rail Jeeps	8	—	—	—	8
Coaching stock	21	1	1	—	23
Wagon stock	144	18	4	—	166

A 4-6-4 tank locomotive was given heavy engine repairs and rebuilt as a 4-6-0 tender locomotive and another similar conversion is in hand. One petrol locomotive was given a heavy intermediate repair. Three first and second-class composite coaches were renovated and refurbished.

Seventeen wagons were converted to carry permanent way materials and two covered wagons were specially built to transport goods or livestock. The underframes of these vehicles were the first all-steel all-welded frames to be fabricated in the Colony. One postal van was renovated and repainted.

The following table shows the traffic carried in 1954 as compared with the two preceding years:—

	Passenger Journies	Passenger miles	Goods tons	Goods tons miles
1954	437,879	6,130,302	33,551	1,678,232
1953	418,000	5,750,000	32,750	1,765,000
1952	469,461	7,757,421	33,726	1,632,270

Approximately half of the freight carried consisted of local products, mainly rubber, timber, and agricultural produce. The comparative figures are:—

	Rubber	Timber	Agricultural produce
	tons	tons	tons
1954	7,182	5,227	4,055
1953	7,185	7,641	3,349

Comparative revenue figures for 1953 and 1954 are set out in the table below:—

	1953—actual	1954—actual
Passenger	\$ 481,943	\$ 477,891
Goods	579,272	592,978
Parcels	19,942	22,282
Mail	3,720	3,720
Livestock	7,399	11,092
Miscellaneous	28,677	101,521
	<u>\$1,120,954</u>	<u>\$1,209,484</u>

The satisfactory increase of \$88,500 in general revenue can be attributed to a slight increase in prosperity on the West Coast due to a rise in the price of rubber, to improved methods of traffic inspection and control, and to sales of scrap and obsolescent materials.

Re-current expenditure during the year which included a provision of \$169,000 for renewals—\$19,000 more than was provided in 1953—exceeded revenue by \$164,000 as compared with a corresponding deficit in 1953 of \$198,000.

ROADS

The mileage of roads and bridle-paths in the Colony during 1953 and 1954 was:—

	1953 miles	1954 miles
Metalled roads bitumenised surface	172	190
Other metalled roads	52	58
Earth roads	213	249
Bridle-paths 6' to 8' wide	587	560

During the year a committee was appointed to classify the types of roads in the Colony. Subsequently a Road Development Programme was prepared together with a plan for its execution, which will entail the use of heavy plant and equipment and will be financed partly from former Japanese assets, partly from Colony Development and Welfare funds, and partly from loan funds.

In the Jesselton area the reconstruction of the Jesselton-Tuaran road continued. Progress was slow as a result of prolonged heavy rain at a crucial stage. A further 3½ miles of the road to Kota Belud were metalled. In the Papar district nearly eight miles have been completed of the Bukit Manggis Road, which will eventually run 12½ miles from Papar town to the foot of the Crocker Range, and will open up extensive new rice-growing areas. In Beaufort district where extensive reclaiming of land is being undertaken by the Drainage and Irrigation section of the Public Works Department, experiments were made in low-cost road construction, which involved the metalling and sealing of a section of the Kota Kliis bund built to keep out flood water from the Padas River. In the Interior as part of a programme to improve road construction between Tenom and Keningau, ten miles of the road running from Tenom to Melalap were gravelled and necessary culverts constructed. At Sandakan a start was made on the construction of a 1½-mile extension of the Leila Road, from Sandy Plain to Karamunting, to open up a residential area, while at Tawau more than 4½ miles of new road were constructed. Elsewhere in the Colony roadwork by the Public Works Department was confined to the maintenance and improvement of existing roads.

In addition to the foregoing, considerable progress was made with a programme introduced during the year under

which bridle-paths are being widened and new earth tracks constructed to a standard which will enable them to be used by jeeps and Land Rovers. These new earth roads will open up land for agricultural development. They are being built under the supervision of the District Officers and are being paid for out of Colonial Development and Welfare as well as Colony funds. The success already achieved is reflected in the increased earth road mileage figures for 1954.

Following an investigation by the Director of Road Transport, Federation of Malaya, in 1952, into the Colony's traffic problems, a Road Traffic Ordinance was enacted in the middle of 1953, one of the main purposes of which was to make possible a reorganisation of the transport services provided for the public. Under the new Ordinance, the Commissioner of Road Transport, who is the Commissioner of Police, has the power to regulate and control the use of public service and goods service vehicles in any area which has been declared by the Governor in Council to be a regulated area. The two urban centres of Jesselton and Sandakan, including their environs, were declared regulated areas. Individual owners of stage carriage vehicles, both buses and cars, were encouraged to form themselves into transport companies to whom monopoly licences were granted to operate stage carriage services over the main routes. During 1954 larger and better buses were imported by the new transport companies, and the service to the public thereby much improved. Time-tables were also introduced to provide regular and frequent services along designated routes.

Comparative figures showing the number of vehicles, bicycles and drivers licensed are as follows:—

	1950	1951	1952	1953	1954
Motor Vehicles	1,580	2,292	2,884	2,677	3,134
Bicycles	12,521	16,202	19,739	19,674	22,476
Drivers	2,931	3,862	4,458	4,479	5,255

AIR COMMUNICATIONS

In June Malayan Airways increased the number of their services from Singapore to six a week, of which five terminate at Sandakan and the sixth at Jesselton. In November the Company introduced tourist-class seating in the aircraft operating one of the midweek services, and the result has shown that there is a considerable demand for this standard of service. The Feeder Service inaugurated in 1953 by Malayan Airways as a joint venture with the Government has proved of great value. From 13th March to 16th May, however, the two aircraft operating this service had to be withdrawn for modification. As a result plans for

additional flights over the routes already established and for the extension of the service to three airstrips in the State of Brunei could not be put into effect until November. The service was also extended to include calls at Lahad Datu, between Sandakan and Tawau, on the completion of the airstrip there towards the end of the year.

During the year there were 8,529 movements of aircraft at the three main airfields (as compared with 6,457 in 1953), of which 5,154 were at Labuan, 2,122 at Jesselton and 1,253 at Sandakan. The average for the Colony was 710 movements a month. The international and internal services in operation at the end of the year were:—

INTERNATIONAL AIR SERVICES

Company	Aircraft	Route	Frequency
Qantas Empire Airways	Douglas DC4	Australia—Labuan—Hongkong—Tokio	Once weekly in each direction.
Malayan Airways	Douglas Dakota	Singapore—Kuching—Sibu—Labuan—Jesselton—Sandakan	Six times weekly in each direction (one service terminates at Jesselton).
†Cathay Pacific Airways	Douglas Dakota	Hongkong—Manila—Sandakan—Jesselton—Labuan—Manila—Hongkong	Twice weekly.
Garuda Indonesian Airways	Convair 340	Djakarta—Labuan—Manila	Once weekly in each direction.

† No traffic rights inside Borneo.

INTERNAL FEEDER AIR SERVICE

(Operated by Malayan Airways Ltd., with de Havilland Rapide 8-seater aircraft)

Route	Frequency
Sandakan—Lahad Datu—Tawau ..	Twice weekly in each direction.
Sandakan—Kudat—Jesselton	Twice weekly in each direction.
Jesselton—Ranau	Five times weekly in each direction.
Jesselton—Labuan	Twice weekly in each direction.
Labuan—Keningau—Jesselton	Twice weekly in each direction.

Aerodromes

Labuan—International Airport, capable of accommodating aircraft up to Douglas DC 4 (Skymaster) Standard. Used by R.A.F. as Staging Post on the route Singapore-Labuan-Manila-Hongkong.

Jesselton and Sandakan—International Airports, capable of accommodating aircraft up to Douglas DC3 (Dakota) Standard.

Keningau, Ranau, Kudat, Tawau and Lahad Datu—Landing strip for internal services only. Capable of accommodating aircraft up to de Havilland DH 89 (Rapide) Standard.

— Extracts from the North Borneo Government Report for 1954.

BANDUNG, INDONESIA'S SHOW-PLACE

The name Bandung applies to a city, a district, and a regency. The regency is subdivided into ten districts, whose total population is now about 2½ million. The regency covers an area of some 1,175 square miles. Bandung city's population is about 750,000. The population of the city is very mixed, with many European and Chinese residents. The whole area is a plateau and has an average height above sea level of over 2,000 feet. Long ago, it was the bed of a great lake, and many mountains tower more than 3,400 feet above and around the plateau (5,400 feet above sea level), especially to the south, where the volcanic peaks of the South Preanger Highlands reach above the height of 8,500 feet. In the west, the plateau is deeply scored by the Tjitarum, the largest river of West Java, and

its tributaries on their way to the Java Sea in the north, where their mouth lies to the east of Djakarta. ("Tji" is the Sundanese word for river, and "tarum" is the local name for the plant from which indigo is extracted). One of the mountains to the north of the Bandung plateau is the active volcano Tangkubanprahu.

Very little is now left of the natural forests of the Bandung region, whose mountain slopes are for the most part converted to tea plantations and cinchona estates. The cold is such on the heights to the south of Bandung that the young tea leaves are sometimes burnt by frost, for the temperature occasionally drops to a few degrees below frost level. Some of the cinchona estates around Bandung are

government concerns, and there is a sizable quinine factory in the city. All the plains and other suitable lands of the area are given over to rice cultivation, wet fields being used for there is a plentiful and handy water supply.

The Bandung area is a recognised holiday and tourist resort on account of its magnificent scenery and its cool climate. Besides the city of Bandung itself, there are half a dozen smaller towns in the area which are almost equally attractive for holiday-makers. Bandung city is the capital of the Province of West Java, lying on the Djakarta-Tjilatjap railway line. It is noted for its clean, tree-lined streets, its parks and gardens, and the rapidity of its development during the last twenty years or so, which has largely been the outcome of improved communications. Bandung city boasts a big railway workshop, a canning factory and a caoutchouc factory, besides the quinine industry already noted. It is not, however, an industrial city, any more than it is a commercial one—its forte is mainly in the educational line. Here is the Technical Faculty of the Indonesian University, from which President Sukarno obtained his architectural engineering degree. Here also are many specialised schools and establishments for secondary education. Then

there is the famous Pasteur Institute which sends its serums and its vaccines all over Indonesia. Near Bandung lies the Bosscha Observatory, the best equipped in Indonesia. The city lies in the centre of a network of transport services. Good motor roads in all directions, good rail communication to several important cities besides Djakarta, and a direct air-link with the Indonesian capital, show the rising importance of Bandung.

With such facilities, such a climate, and such prospects, many Indonesians favour Bandung as the site upon which to build the future capital of Indonesia. Bandung is also known as the Paris of Java. It creates fashions and is famous for display of fabrics of all kinds. Hotels in Bandung are the best in the country. There is usually, contrary to what is the rule in Djakarta, adequate accommodation available even in the luxury hotels. Business men have recently shifted offices to Bandung and it seems that the city is destined to become a more important commercial centre. There also is a trend to establish more factories in the outskirts of Bandung. The people, the Sundanese, are among the most cooperative and friendly in the archipelago and there prevails a strong pro-Western feeling.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

For the week 19th to 24th December 1955.

	U.S.\$		Notes	
	T.T. High	T.T. Low	Notes High	Notes Low
Dec. 19	\$587½	587	582¾	582½
20	587¾	587¼	582¾	582½
21	587½	586¾	582½	581¾
22	586¾	586½	582	581¾
23	587¾	586¾	582	581¾
24	587¾	586¾	582	581¾

D.D. rates: High 586¾ Low 585.

Trading totals: T.T. US\$2,020,000. Notes cash US\$585,000, forward US\$1,620,000. D.D. US\$310,000. The market was rather quiet with only small changes in rates; shippers were eager to buy cash notes. In the T.T. sector, funds from Korea, Japan and Indochina continued on offer, but those from Bangkok were on the decline. Gold and general importers bought their full requirements. In Notes, shippers were able to obtain big amounts from the American Navy who made their holidays here. Interest for change over favoured sellers and amounted to 70 cents per US\$1,000. Positions figured at a daily average of US\$2 million. In the D.D. sector, the market was quiet.

Yen: Notes quoted at \$1,475 per 100,000, with only small business transacted, and change over interest fixed at \$4.71 per 100,000 in favour of buyers.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.94—1.9225, Japan 0.014625—0.014525, Malaya 1.879,

Indochina 0.0689—0.0638, Thailand 0.267—0.266. Sales: Pesos 390,000, Yen 105 million, Malayan \$340,000, Piastre 7 million, Baht 4 million. The market was quiet. It was reported that beginning 1956, there will be a free market in foreign exchange in Saigon and the future relation between Piastre and Francs remains to be decided by actual market conditions in Vietnam.

Chinese Exchange: People's Bank Yuan Notes quoted \$1.60 per Yuan; only small business was done. Taiwan Bank Notes quoted \$166—158 per thousand, and remittances at 146—145; the market was very quiet.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.30—15.24, Australia 12.28, New Zealand 13.70—13.68, Egypt 15.10, South Africa 15.32, India 1.1725—1.17125, Pakistan 0.95—0.91, Ceylon 0.95, Burma 0.63, Malaya 1.83—1.828, Canada 5.825—5.82, Philippines 1.9525—1.9425, Macao 0.995—0.99, Switzerland 1.35, France 0.015—0.0149, Indochina 0.0725—0.0715, Indonesia 0.16—0.158, Thailand 0.257—0.254.

Gold Market

	High .945	Low .945	Macao .99
Dec. 19	253¾	253½	
20	253¾	253½	254 High
21	253¾	253½	
22	253¾	253½	Low 263¼
23	253¾	253½	
24	253¾	253½	

The opening and closing prices were both at \$253½, and the highest and lowest were 253½ and 253¼. The market was very quiet with only narrow fluctuation in rates. It was reported

that Thailand will allow the direct large-scale import of gold again early next year; this will then affect the local market. Interest for change over favoured sellers and amounted to 60 cents per 10 taels of .945 fine. Tradings amounted to 42,600 taels or averaged 7,100 taels per day. Positions figured at a daily average of 22,500 taels. Cash sales totalled 23,160 taels (3,160 listed and 20,000 arranged). Imports were all from Macao: 15,500 taels. A shipment of 24,000 fine ounces reached Macao. Exports totalled 14,000 taels (6,000 to Singapore, 4,000 to Bangkok, 3,000 to Indonesia, 1,000 to India). Differences paid for local and Macao .99 fine were \$12.20—12.10 and 11.70—11.60 respectively per tael of .945 fine. Cross rates worked in the Exchange were US\$37.75—37.74. Contracted import price was 37.75 C.I.F. Macao. Nothing was done.

Silver Market: All prices advanced on higher world prices but the market was very quiet. Bar silver quoted at \$5.92—5.88 per tael with 800 taels traded, \$ coins quoted at 3.88—3.75 per coin with 1,500 coins traded, and 20 cent coins quoted at 2.93—2.88 per 5 coins with 1,000 coins traded.

HONGKONG SHARE MARKET

Wheelocks, Lands and Hotels led the market last week and registered substantial volume of business. The turnover for the week totalled \$3.8 million. Over half of the business was done on Monday and Tuesday. Other popular shares were Trams, Yaumatis, Lights,

Electric, Docks, Telephones and Dairy Farms. Most shares reached their highest during the week on Monday and Tuesday: Wheellocks to \$8.45, Providents to 15.70, Hotels to 17.80, Lands to 63.50, Trams to 23.70, Yau-matis to 105, Lights to 22.80, and Dairy Farms to 19.30. Profit-taking during the afternoon session on Tuesday eased prices of some shares but quotations firmed up on Thursday and Friday in spite of the slow-down in trading on account of the approaching Holidays. HK Banks and Union Ins. improved during the week from 1700 to 1740 and from 915 to 935 respectively. The undertone was firm at the end of the week with more dividend to come; steep gains, however, are improbable. Quotations at the end of last week showed following ups and downs from those on December 16:

Shares	Dec. 16	Dec. 23	Up or Down
HK Banks	1700 b	1740	+\$40
Union Ins.	915 l	935	+\$20
HK Wharves	67.50	69 b	+\$1.50
Wheellocks	8.35	8.40	+5¢
Providents	15.10	15.50	+40¢
HK Docks	29.70	29.50	-20¢
Hotels	17.60	17.60	firm
Lands	61	62.50	+\$1.50
Realities	1.875 n	1.95 s	+7½¢
Trams	23	23.70 s	+70¢
Yau-matis	103	102	-\$1
Lights (f.p.)	22	22.70	+70¢
Lights (p.p.)	16.20	17	+80¢
Electric	40	42	+2¢
Telephones	32.50	33.50	+\$1
Cements	35.25	36.50	+\$1.25
Dairy Farms	18.60	19.20	+60¢
Yangtze	6.50	6.60	+10¢
Watsons	13.30	13.50	+20¢
Nanyang	7.85 n	7.70 b	-15¢
Textile	5.90 s	5.90 s	steady
Amal. Rubber	1.85 s	2.025	+17½¢

Monday: Although trading was on a moderate scale, the market forged ahead with buyers raising their bids for most issues as scrip became scarce. The turnover amounted to approximately \$900,000. **Tuesday:** Apart from Hongkong Banks which advanced to \$1,730, price changes were small. There were signs of light-scale profit-taking towards the close. The turnover amounted to approximately \$1,050,000. **Wednesday:** Following Tuesday's closing trend, prices were inclined to drift fractionally lower in early dealings but the market closed steady on some late support at the lower levels. Trading was slow and the turnover for the half day session was only approximately \$380,000. **Thursday:** The market ruled steady and price changes were negligible. The turnover for the day was approximately \$650,000. **Friday:** With the approach of the Holidays, business slowed down. The turnover amounted to \$440,000. The undertone was firm.

LAST WEEK'S CLOSING RATES

H.K. Govt. Loans	
3½% Loan (1934 & 1940)	95 nom.
3½% Loan (1948)	92½ b.

Banks	
H.K. & S. Bank	1730 b; 1740 sa.
H.K. & S. Bank (Lon. Reg.)	998 nom.
Chartered Bank	44/- nom.
Bank of East Asia	236 nom.

Insurances

Union Ins.	932½ b; 935 sa.
Lombard Ins.	54 b; 55 sa.
China Underwriters	9.80 nom.

Shipping

Douglasses	255 nom.
Indo Chinas (Pref.)	15 nom.
Indo Chinas (Def.)	35½ nom.
U. Waterboats	23.30 b.
Asia Nav.	1 b; 1 sa.
Wheellocks	8.35 b; 8.40 sa.

Docks, Wharves, Godowns, Etc.

H.K. & K. Wharves	69 b.
Sh. Hongkew Wharves	1.15 nom.
H.K. Docks	29.40 b; 29½ s; 29.40/½ sa.
China Providents	15.40 b; 15.50 s; 15½ sa.
Shai Dockyards	1.40 b.

Mining

Raub Mines	3½ nom.
H.K. Mines	6c b.

Lands, Hotels & Bldgs.

H. & S. Hotels	17½ b; 17.80 s; 17.60 sa.
H.K. Lands (Old)	62 b; 62½ s; 62/62½ sa.
H.K. Lands (New)	60½ nom.
H.K. Lands (Rights)	34½ b; 35 sa.
Shai Lands	1.10 nom.
Humphreys (O)	19.60 b.
Humphreys (N)	19 nom.
H.K. Realities	1.875 b; 1.95 s.
Chinese Estates	280 nom.

Public Utilities

H.K. Tramways	23½ b; 23.70 s.
Peak Trams (F. Pd.)	75 nom.
Peak Trams (P. Pd.)	40 nom.
Star Ferries	135 b; 138 s.
Yau-mati Ferries	102 b; 103 s; 102 sa.
China Lights (F. Paid)	22.70 b; 22.60 sa.
China Lights (P. Paid)	16.80 b; 17.10 s; 16.80/17.- sa.
H.K. Electric	41½ b; 42 s; 42 sa.
Macao Electric	(Old), 9.60 nom.
Sandakan Lights	8½ nom.
Shanghai Gas	90c nom.
Telephones	33 b; 33½ s.

Industrials

Cements	36½ b; 37 s; 36½ sa.
H.K. Rope	17 s.
Metal Industries	2 nom.

Stores &c.

Dairy Farms	19.10 b.
Watsons	13.30 b.
L. Crawford	34½ b.
Cald Macg. (Ord.)	33½ nom.
Sinceres	1.70 nom.
China Emporium	9.40 nom.
Sun Co., Ltd.	1.60 nom.
Kwong Sang Hong	162 b.
Wing On (H.K.)	5½ b.

Miscellaneous

China Entertainments	18.60 nom.
International Films	20c nom.
H.K. Constructions	6 nom.
H.K. Constructions (F. Paid 1955)	4.90 nom.
Vibro Piling	24 s.
Marsman Investments	6/- nom.
Marsman (H.K.)	65c nom.
Yangtze Finance	6½ b; 6.70 s; 6.60 sa.
Allied Investors	5.45 b; 5.60 s.

Cottons

Ewos	85c nom.
Textile Corp.	5.70 b; 5.90 s.
Nanyang Mill	7.70 b.

Rubbers &c.

Amal. Rubber	2 b; 2.05 s; 2.025 sa.
Ayer Tawah	5½ nom.
Java-Consolidated Estates	1.05 b.
Langkat	2.10 b.
Rubber Trust	2.85 b; 2.875 sa.
Shanghai Kelantan	1.15 b; 1¼ s; 1.20 sa.
Shanghai Sumatra	3½ nom.
Saagala	3.95 nom.

HONGKONG AND FAR EASTERN TRADE REPORTS

Last week's local commodity market recorded active business with S.E. Asia, Korea, Japan, and UK. Local retail business also improved. China produce, metals, paper, rice and pharmaceuticals were active but cement and cotton textiles remained sluggish.

TRADE DEVELOPMENTS

Trade Restrictions: Export of plastic, rubber or clockwork dolls to US no longer requires comprehensive certificate of origin if such dolls are not of the traditional Chinese design. Iraq now prohibits the entry of onion and red beans; requires special licence for the import of pajamas; and allows free import of rice, wheat flour, etc. Iran suspended the issuance of import licence for buttons.

China Trade: Peking and Danish business men concluded trade contracts totalling £1 million covering soya beans, feathers, antimony, silk and woodoil from China; refrigeration equipment, medical instruments, hospital equipment and pharmaceuticals from Denmark. The Danish delegation which went to Peking consisted of representatives from Denmark and 3 HK firms; Jebson, John Manners, and East Asiatic. A 20-member French Economic Mission will soon visit China to fix the import and export commodities for the barter agreement concluded in 1951 between Peking and a private French mission. China signed a barter agreement with Poland for machinery, industrial and transport equipment, agricultural machinery and textiles from Poland; and iron and non-ferrous ores, tea, rice, tobacco, asbestos, raw materials for textiles and other staples from China. An Austrian chemical works recently secured orders from China amounting to £2.5 million. Fountain pens of Chinese origin exported to S.E. Asia rose from 3,400 dozen last year to 500,000 dozen this year. In the local market, China's demand for certain metals and pharmaceuticals was active.

Taiwan Trade: Taiwan maintained steady demand in the local pharmaceutical market during the week, and in addition to her regular supplies of sugar and other produce, 500 turkeys were shipped here to meet the local seasonal demand.

Japan Trade: Trade negotiation between Japan and Burma concerning the export of Burmese rice to Japan; and the spinning of yarn from American cotton by Japan for Burma is now under way. Japan plans to increase the export of sundry goods, including pottery and porcelain, to Indonesia. Japan showed unabated interest in China produce and metal scraps in the HK market throughout the week. Paper, cement, cotton textiles, sundries, and marine

products constituted her main exports to HK.

Korea Trade: Seoul invited tenders for supply of railroad ties and structural steel. Korean purchases in the local market during the week included paper, industrial chemicals, wheat flour, and cotton textiles.

Indonesia Trade: Djakarta allocated foreign exchange amounting to 113 million rupiahs for the import of wheat flour. Exports to Indonesia from HK during the week consisted chiefly of paper, metals, cotton textiles, pharmaceuticals, and sundries.

Thailand Trade: Purchases by Thailand in the local market maintained the usual tempo while substantial volume of Thai rice, maize, groundnut kernel, beans, jute, groundnut oil, timber, hides, and malt sugar reached here.

Philippine Trade: Manila suspended the issuance of permits for imports financed with self-provided foreign exchange earned from barter trade. On the other hand, the Philippine authorities granted import licences for 150 tons of untoasted garlic for seeding purpose. Philippine traders also enquired for textiles, torchlight, vacuum flasks, aluminiumware, plastic goods and sundry provisions.

Burma Trade: Rangoon arranged with Tokyo to export 250,000 tons of rice to Japan in 1956. Burma will import electric appliances and accessories including torchlights, electric bulbs, fluorescent tubes, electric cookers, electric clocks, etc. Export from here to Burma remained sluggish.

Other Countries: Ceylon was approached by China for more sheet rubber to be shipped this year against cash outside the rice-rubber agreement. Meanwhile, Ceylon was considering to increase the export duty on sheet rubber.

COMMODITIES

China Produce: S.E. Asia, Japan and Europe provided strong demand during the week. Prices in general were steady. Woodoil was firm with active local and export demand; teaseed oil advanced on short stock and keen demand from Europe; aniseed oil drew continued European support at steady prices; peppermint oil remained unchanged with local purchases; citronella oil receded slightly under new arrivals; camphor oil dipped as holders were too eager to liquidate. Tea and cassia lignea registered substantial business. Demand from Europe and Australia for hog bristles improved; rosin, raw silk, maize, and groundnut kernel were also popular. Castor seed and black sesamum attracted renewed demand from Japan; menthol crystal was bought by India; aniseed star was quiet but steady; arsenic recorded light purchases by SE Asia and Japan at firm prices. Beans were depressed by heavy new arrivals from China and Thailand, although local business was quite active.

Metals: Demand from Indonesia and local factories stimulated the market. Mild steel round bars firmed up on low stock and speculative buying; mild steel plate gained on dwindled stock; mild steel square bar improved on keen demand and short supply. Tin gained on higher cost and tin plate waste waste was firm especially when active local purchases drew the stocks thinner. Galvanized iron sheets, both plain and corrugated, were favoured by Indonesia. Steel wire rope drew more demand from Singapore as the price in Europe went up. Steel shaft, copper sheet, wire mesh, ungalvanized iron pipe, and steel window sash bar remained firm with steady local consumption.

Paper: Brisk local business and moderate exports kept the market steady. Transparent cellulose paper was popular not only with Indonesia but also with Korea. Seoul also purchased MG pure sulphite and prime white glassine. Vietnam was interested in cigarette paper in reams and business was under negotiation. Straw board firmed up with good local demand; duplex board receded slightly under new arrivals; while bond, poster, MG cap, MG red sulphite and art printing were steady.

Industrial Chemicals: Market improved in the latter part of the week with purchases by Taiwan, Korea, and Vietnam. Prices in general were depressed by selling pressure. Soda ash ruled active as low prices attracted orders from Vietnam. Caustic soda improved on better local demand; rongalite C lump was bought by Taiwan; sodium nitrate was steady though indent price had been lowered; sodium cyanide moved up on short stock; sodium bicarbonate was steady with active local business; sodium hyposulphite declined under speculators' liquidation; shellac remained unchanged despite further increase of indent price.

Pharmaceuticals: Market during the week registered continued support from Taiwan and better trade with China, Korea, and S.E. Asia. Prices registered very small fluctuations. Sulfanamides and neosalvarsan ampoules were bought by Taiwan; PAS by China; glucose powder, sodium bromides and chloroform by Korea; phenacetin, DDT powder, penicillin preparation, and quinine ethycarbonate by S.E. Asia.

Cotton Yarn & Textiles: Trading in cotton yarn slowed down. Prices, however, remained steady. HK yarns were steady; Indian yarns easier on light local absorption; Pakistan yarns receded as local weavers resold their stocks; Japanese yarns were sluggish; Japanese staple fibre yarns recovered a little on low stock and buying interest from Thailand.

Rice: Indent prices for new stock receded on the Thai market but prices here improved further.

Sugar: Brown sugar firmed up on better local demand.

Marine Products: Steady market was recorded during the week. Dried shrimp was popular with Thailand and local retailers; awabi advanced on local and Philippine demand; while cuttle fish and dried octopus turned sluggish on abundant supply.

Sundries: Sundry provisions market was very active in the beginning of the week but turned sluggish later. Thick mushroom was in production season and heavy arrivals from China and Japan depressed the market. Those scored price gains on low stock were chestnut, black moss, and dried lily flower. Sundry articles drew good demand from S.E. Asia, especially on razor blade, spoons and forks, lighters, flints, nail clips, zippers, handkerchiefs, harmonicas, press studs, playing cards, etc.

Hongkong Products: Hongkong may take part in European trade exhibitions in the coming year to present HK products to European buyers. Buyers in Africa showed renewed interest in Hongkong products, especially in enamelware and knitted goods.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the period from November 14 to December 10, 1955:

Ceylon Trading Company (Hongkong) Limited: Nominal Capital, \$100,000; Registered Office, 9 Hankow Road, Kowloon; Subscribers—Albert Kirtisinghe, 9 Hankow Road, Kowloon, Merchant; Charles L. Doue, 69 Waterloo Road, Kowloon, Merchant.

Overseas Trust Bank, Limited: Nominal Capital, \$10 million; Registered Office, Prince's Building, Hongkong; Subscribers—Chang Ming Thien, 89 Wongneichong Road, Hongkong, Merchant; Oei York Siew, 37 Ko Shing Street, Hongkong, Merchant; Wong Sik Pun, 18 Perkins Road, Hongkong, Banker; Fu Yum Chiu, 8 Tak Shing Street, Kowloon, Merchant.

Longem Quarrying Corporation Limited: Nominal Capital, \$200,000; Registered Office, 103 Pedder Building, Hongkong; Subscribers—Chin Wang San, 24 Java Road, Hongkong, Merchant; Robert Swan Ching Hong, 5 Hillwood Road, Kowloon, Merchant; Engai Chiang, 88 Des Voeux Road West, Hongkong, Merchant.

The Maritime Investment Company, Limited: Shipping, warehousing, Nominal Capital, \$500,000; Registered Office, 420 Marina House, Hongkong; Subscribers—Pao Yue Kong, 31 Seymour Road, Hongkong, Merchant; Yun-shin Zee, 12A Kai Yuen Terrace, Hongkong, Merchant.

Newera Shoe Factory Limited: Nominal Capital, \$100,000; Registered Office, 34 Ho Man Tin Street, Kowloon; Subscribers—Abdul Rahman Hajee

Esmail, 23C Robinson Road, Hongkong, Stock Broker; Shiu Liang Kuai, 220 Sai Yung Choi Street, Kowloon, Shoe Maker.

The Eastern Film Service, Limited: Nominal Capital, \$100,000; Registered Office, 710B China Building, Hongkong; Subscribers—Fohsien S. Chen, 395 Queen's Road East, Hongkong, Merchant; Lau Fai Ting, 7 Shell Street, Hongkong, Merchant; Ziang Ling Sung, 10 New Eastern Terrace, Hongkong, Merchant; Chen Li, 10 New Eastern Terrace, Hongkong, Merchant.

A.B.C. Factory, Limited: Gloves mfrs., Nominal Capital, \$100,000; Registered Office, 6-8 Tsap Fai Street, Kowloon; Subscribers—Au Yeung Jook Pang, 374 King's Road, Hongkong, Merchant; Chang Wee Nan, 244 Tung Choi Street, Kowloon, Merchant; Yem Ming, 314 Des Voeux Road West, Hongkong, Merchant.

G. E. Huygen & Company (Hongkong) Limited: Importers, exporters; Nominal Capital, \$30,000; Registered Office, 24-25 Connaught Road Central, Hongkong; Subscribers—Chung Shiu Kee, 16 Ching Wah Street, Hongkong, Merchant; Frits George Huygen, 55 Chatham Road, Kowloon, Merchant.

Fulton Corporation Limited: Mortgages, debentures, produce. Nominal Capital, \$1 million; Registered Office, 32 Queen's Road, Central, Hongkong; Subscribers—Elaine Lui, 13 Lan Fong Road, Hongkong, Married Woman; Nancy Chan, 17 Kotewall Road, Hongkong, Married Woman.

Kung Brothers and Company Limited: Traders. Nominal Capital, \$2.5 million; Registered Office, 211, Edinburgh House, Hongkong; Subscribers—Kung Pei-chih, 9 Blue Pool Road, Hongkong, Merchant; Kung Chia-lung, 9 Blue Pool Road, Hongkong, Merchant.

George Clarke, Limited: Importers, exporters; Nominal Capital, \$120,000; Subscribers—Tan Chin Poo, 18 King Kwong Street, Hongkong, Merchant; Fong Chap, 34 Fuk Wa Street, Kowloon, Merchant; Cheng Woon, 34 Fuk Wa Street, Kowloon, Merchant.

Factories Agency (H.K.) Limited: Traders: Nominal Capital, \$1 million; Registered Office, 120, Marina House, Hongkong; Subscribers—Cheung Luen, 69 Jervois Street, Hongkong, Merchant; William Jung, 2 & 4, Moon Street, Hongkong, Merchant.

Shun Cheong Trading Company, Limited: Nominal Capital, \$300,000; Registered Office, 20 Yuet Yuen Street, Hongkong; Subscribers—Yeung Yiu Chung, 20 Yuet Yuen Street, Hongkong, Merchant; Yeung Wai Pang, 20 Yuet Yuen Street, Hongkong, Merchant.

Cheung Kam Kee Trading Company Limited: Nominal Capital, \$1 million; Subscribers—Cheung Yok Kai, 8 Macdonnell Road, Hongkong, Merchant; Cheung Yok Luen, 8 Macdonnell Road; Y. L. Cheung, 9 Wing Kut Street,

Hongkong, Merchant; William Cheung, 12 Wing Kut Street, Hongkong, Merchant.

Hoover Sky Restaurant, Limited: Nominal Capital, \$400,000; Subscribers—Lau Wo Ling, 57 Bonham Road, Hongkong, Merchant; Chang Nee Sing, 23A Prat Avenue, Kowloon, Merchant; Chao Wen Tong, 56 Gloucester Road, Hongkong, Merchant; Saen Chong Ling, 19 San Wei Street, Kowloon, Merchant; Wong Fung Shun, 29 Lockhart Road, Hongkong, Merchant.

Ralli Brothers (Far East) Limited: Traders. Nominal Capital, \$1 million; Registered Office, 223 Gloucester Building, Hongkong; Subscribers—Manuel Tombazi, 29 Kingston House, Prince's Gate, London, S.W.7, England, Merchant; Michael Spyro Durutti, Gloucester Hotel, Hongkong, Merchant.

Swee Yong Hong Company Limited: Traders. Nominal Capital, \$1 million; Registered Office, 75, Bonham Strand West, Hongkong; Subscribers—Koh Han Say, 35 Wongneichong Road, Hongkong, Merchant; Chua Peng Kang, 75 Bonham Strand West, Hongkong, Merchant.

Angio-Tex (Hongkong) Limited: Traders. Nominal Capital, \$500,000; Registered Office, 72/73, Henry House, Hongkong; Subscribers—Nathan M. Kaner, 9 Marigold Road, Kowloon, Merchant; Ronald Whitfield Dyer, 22A Kennedy Road, Hongkong, Solicitor.

FOREIGN INVESTMENTS IN INDONESIA

According to the local Indonesian Consultative General, prior to the promulgation of a law on foreign investment, the Indonesian government has stated: It is necessary to accelerate the economic development and to increase national production in order to raise the standard of living of the people. For these purposes, capital is needed. Available capital in Indonesia is far from sufficient and it is therefore necessary to attract capital from outside sources, either in the form of loans, or directly by way of private investments with attractive terms as well as guaranteeing the interest of the Indonesian people.

Private national capital will be given the widest investment area with the exception of those fields entirely reserved for the government. Foreign capital will be allowed in those fields not reserved for the government and/or Indonesian nationals. Certain specific industries, social in character, and public utilities which cannot be entrusted entirely to private initiative, will be solely owned by the state. For instance, railways, tele-communications, inter-islands air and sea transport, electricity, irrigation and waterworks, arms manufacturing and nuclear energy, are included in this category.

Small (scale) industries and those small industries traditionally undertaken by Indonesian nationals will not be open to foreign capital. This category of industries is generally considered as those additional and/or complementary to the agricultural effort. In basic industries, foreign investments are allowed to provide up to 49% of the capital; the kind of industries falling into this category, will be decided and based on a general program of economic development. Certain industries falling into this category are exempted from the aforementioned terms for some limited period and government will enforce temporary provisions. Industries not falling into the categories mentioned above are open to foreign investments. Issuance of licences to establish new industries will be facilitated, provided there is sufficient guarantee on the soundness of the undertaking. Restrictions may be imposed to prevent over-concentration in one particular sector and this restriction is applicable as well to Indonesian nationals.

All undertakings, either wholly or partly in Indonesia, should be formed as a corporate body according to Indonesian law and established in Indonesia. Government will enforce new regulation pertaining to the lease of land for industries, estates, etc. for periods ranging up to 45 years and may be extended if considered necessary. Besides, the system of letting and subletting of land can also be adopted.

Foreign skill needed may be employed and will enjoy facilities to enter, to leave, to stay and to employment in Indonesia, in accordance with regulations relating thereto. With respect to taxes, government will endeavor to enter into international agreements in order to avoid double taxation. Certain latitude will be given foreign enterprises, and these will also be applicable to those established since the beginning of 1950.

Nationalisation will not be carried out except with the approval of respective owners and on agreed terms. In this respect full consideration will be given to the principle of fair and adequate compensation.

Income from undertakings are transferable abroad, (a) after payment of taxes, (b) after deduction of expenses relating to the employment of foreign skill in said industries, according to regulations relating thereto. The initial foreign capital may be allowed to be transferred to its original valuta, after a certain working period in Indonesia by the established industries concerned, which transfer is called repatriation transfer.

To implement the above, a foreign investment law will be drafted and for this purpose a body is created with the task to implement said law. Transitory provisions will be applied to foreign industries already existing in Indonesia, so that gradually they will be placed on an equal footing with newly established industries.

Malayan imports from the Union of South Africa during the first ten

Fruit, juices, canned, (\$9,083); dried fruit (\$1,090); fruit, peels, canned, pineapple, dried, sugar, canned (\$3,935); syrups, (\$1,777); meats, seals and cereal products, (\$7,562); frozen meat; meat preparations (\$2,532); lard and shortening (\$2,093); frozen, salted and dried fish (\$9,872); vinegar; sauces (\$9,063); yeast (\$1,266); pickles; poultry (\$1,046); eggs; peas (\$7,535); tobacco leaf (\$7,891); vegetable products; bran, pollard and animal feedstuffs (\$2,684); groundnut oil (\$1,464); animal fats and oils (\$1,866); bones; animal materials; crude minerals; casein (\$1,905); organic compounds (\$3,169); medical products (\$4,160); vaccines; cosmetics; perfumery; lacquer; leather, paper and cardboard manufactures (\$5,604); glass (\$5,905); metal tubes; iron and steel plates (\$5,705); small tools (\$1,708); agricultural machinery; aluminumware; parts for pneumatic tools; machinery appliances (\$4,301); centrifugal pump; furniture; sanitaryware; outerwear; footwear

- (a) **Malaya.**—Anhydrous ammonia, brassware, copperware, bottles and glassware, bacon and ham, electric cables, chemicals, liquid glucose, glazed pipes and fittings, hides and skins, hempseed, insecticides, industrial chemicals, crystal jellies, kaolin, vitamin oils, dried pulses, pyrethrum, sunflower seed, millet seed, salt, stationery, E.F.N.S. trophies, wall tiles, cotton wool, zinc oxide and canned meat.
- (b) **Ceylon.**—Canned fish, canned foodstuffs, canned meats, canned beef, fruit juices, potatoes, wines and spirits, methylated spirits, 'plastic goods and tubes.
- (c) **Indonesia.**—Canned fish, canned foodstuffs, canned grapes, canned juices, canned meats, confectionery, calcium carbide, insecticides, plywood, tobacco and wattle extract.
- (d) **Philippines.**—Canned fish, canned foodstuffs, canned fruits, dried fruits, jams and pasticheware.
- (e) **Pakistan.**—Brass, copper, copperware, fish oil, glucose, ground coffee, machinery and sodium bichromate.
- (f) **Thailand.**—Enamelware, sodium bichromate and wattle extract.
- (g) **Burma.**—Canned foodstuffs, canned fruit, canned juices, jams, dried fruit, meat and meat products, cement and sanitaryware.
- (h) **North Borneo.**—Canned foodstuffs and canned fruit.
- (i) **Japan.**—Cocoa beans, bran and pollard, cotton wool, goldware and jewellery, veneered softwood, hides and skins, flours, spar, diamonds, asbestos, copper, chrome ore, iron ore and manganese ore.

Generally, the demand for South African commodities remained steady and provided Union exporters can continue to supply quality goods at competitive prices to this keen and discriminate buyer's market, there should be no reason why 1955 should not show further improvements in the Union's trade with Malaya.

MALAYA AND SINGAPORE					Exports		Imports		
Trade with	Exports		Imports		Trade with	Jan.-June 1954	Jan.-June 1955	Jan.-June 1954	Jan.-June 1955
	Jan.-June 1954	Jan.-June 1955	Jan.-June 1954	Jan.-June 1955		Jan.-June 1954	Jan.-June 1955		
Grand Total	473.9	610.4	488.6	593.4	North America	88.4	130.9	25.3	28.6
US and Canada	86.4	129.5	25.1	28.2	United States	76.1	116.2	22.6	26.0
Latin America	10.4	18.2	4	.5	Canada	10.3	13.3	2.5	2.3
Dollar Cys	2.2	1.5	.2	.3	Mexico	2.0	1.4	.2	.3
Other Cys	8.2	16.7	.2	.2	Central America	.3	.9	.6	.1
Sterling Area	169.3	207.3	185.4	225.8	Areas n s	.2	.1		
OEEC Sterling	63.1	97.4	99.3	114.6	Br Cys n s	.1	.1	.6	.1
UK Dots	37.2	37.5	34.6	46.3	South America	11.0	21.2	4.2	3.8
Other Sterling	70.0	72.4	51.5	64.9	Argentina	6.0	14.0	.2	.2
Non Sterl OEEC	100.6	138.6	50.0	55.0	Brazil	1.0	1.6		
In Europe	92.5	131.5	45.6	49.5	Chile	1.1	1.0		
French Dots	8.1	7.0	4.4	5.5	Peru	.1	.1		
Other Dots		.1			Areas n s	2.8	4.5	4.0	3.6
Soviet Area	4.3	4.9	2.2	2.3	N West Europe	133.7	202.7	141.8	160.8
All Other	102.3	112.0	225.6	281.6	United Kingdom	62.9	97.3	98.9	114.1

Trade with	Exports		Imports	
	Jan.-June	Jan.-June	Jan.-June	Jan.-June
	1954	1955	1954	1955
Austria	1.1	1.9	.9	1.0
Belgium Lux	3.2	3.1	5.0	5.9
Denmark	2.8	2.5	2.5	2.8
France	23.8	39.3	5.1	5.9
Germany Fed Rep	17.1	31.4	6.6	11.0
Germany East			.2	.2
Ireland	.2	.1	.4	.5
Netherlands	15.0	17.3	15.7	11.2
Norway	6	2.1	1.0	.8
Sweden	6.4	7.1	1.5	1.8
Switzerland	1.1	.6	4.0	5.6
Southern Europe	23.8	31.2	3.7	3.8
Greece	.5	.7		
Italy	20.1	23.7	3.1	3.3
Portugal	.5	1.2	.2	.2
Spain	1.8	5.0	.4	.3
Turkey	.8	.6		
Br Ctsy n s	.1			
Eastern Europe	7.2	8.4	2.3	2.3
USSR		.2		
Bulgaria		.1		
Czechoslovakia	1.2	2.4	1.3	1.6
Finland	1.7		.3	.2
Hungary			.4	.2
Poland	3.1	4.5	.3	.2
Rumania				.1
Yugoslavia	1.2	1.1		
Middle East	4.5	5.8	9.6	13.7
Ang Egy Sudan	1.0	.8	.2	
Cyprus			.2	.1
Egypt	.5	1.0	1.2	1.2
Iran	.1	.8	1.0	1.0
Iraq	.7	.6	1.5	1.2
Israel	.1			
Saudi Arabia	.3	.5	.9	1.6
Aden	1.3	1.0		.9
Oth Br P St n s	.3	.5	5.6	7.7
Syria	.2	.5		
Areas n s		.1		
Other Asia	141.2	158.5	275.4	347.8
Burma	7.6	4.8	6.3	10.1
Ceylon	2.5	1.5	.9	.8
China Taiwan	1.2	1.1	5.1	3.2
China Mainland	2.5	2.7	14.9	17.7
Hongkong	8.3	8.5	17.2	17.9
India	17.7	15.5	11.8	13.9
Indochina	7.1	5.8	4.1	5.0
Indonesia	20.8	27.2	143.7	171.5
Japan	26.0	39.6	18.5	40.4
Sarawak		13.4		22.5
Pakistan	2.3	3.0	.1	.2
Philippines	6.2	5.7	.3	.3
Thailand	12.2	14.6	34.7	39.7
South Korea	.9	.8	.1	.1
Asia n s	1.8	2.4	1.3	.8
Br Asia n s	24.0	11.9	16.4	3.7
Fr Asia n s	.1			
Oceania	33.0	35.7	22.8	27.7
Australia	27.1	27.8	21.3	25.7
New Zealand	4.5	6.5	1.5	2.0
Oceania n s		.1		
Br Oceania n s	1.4	1.3		
Other Africa	9.3	15.2	3.0	4.9
Union So Africa	7.2	12.1	2.4	3.1
Uganda			.1	.9
French Morocco	.5	.6		
Madagascar	.1	.3	.3	.2
Mozambique		.1		
Mauritius		.6		
Fed Rhod Nyasa	.1	.1	.1	.2
Africa n s	.1	.4		
Br Africa n s	1.0	.7	.1	.2
Fr Africa n s	.3	.3		.3
Miscellaneous	20.9			
Spec Categories	20.9			

INDONESIA

Grand Total	380.8	407.7	344.1	269.9
US and Canada	64.9	53.2	46.7	42.5
Latin America	1.3	20.1		.1
Dollar Ctsy	.3	3.1		.1
Other Ctsy	1.0	17.0		
Sterling Area	148.4	147.8	100.6	62.7
OEEC Sterling	8.9	46.2	18.1	17.0
UK Dots	123.6	87.0	35.6	18.2
Other Sterling	15.9	14.6	46.9	27.5
Non Sterl OEEC	124.8	103.2	91.6	90.7
In Europe	118.2	99.3	86.7	90.4
French Dots	5.1	2.7	4.9	.3
Other Dots	1.5	1.2		
Soviet Area	1.3	10.0	3.2	21.6
All Other	40.1	73.4	101.9	52.2

Trade with	Exports		Imports	
	Jan.-June	Jan.-June	Jan.-June	Jan.-June
	1954	1955	1954	1955
North America	65.2	56.3	46.7	42.6
United States	64.7	53.1	46.3	42.1
Canada	.2	.1	.4	.4
Mexico	.3	3.1		.1
Central America	1.7	19.0		
Neth Antilles	.7	.1		
Areas n s	.3	16.9		
South America	.7	2.0		
Brazil	1.0	17.0		
N West Europe	118.3	148.6	102.0	103.6
United Kingdom	8.6	45.6	18.1	17.0
Austria			3.8	2.8
Belgium Lux	2.4	1.4	6.6	7.9
Denmark	1.2	1.0	1.5	1.1
France	2.4	4.9	3.7	6.4
Germany	16.8	16.2	22.2	29.1
Ireland	.3	.6		
Netherlands	83.3	71.8	35.3	32.0
Norway	.9	1.0	1.1	1.4
Sweden	2.4	.9	6.3	2.7
Switzerland			2.4	3.1
Europe n s		.2		.1
Southern Europe	9.9	2.3	2.8	4.0
Greece	.1	.1		
Italy	8.7	2.0	2.7	3.8
Portugal			.1	.1
Spain	.1			.1
Areas n s	1.0	.2		
Eastern Europe	1.3	10.4	3.8	22.7
Czechoslovakia	.3	5.8	2.3	12.9
Finland				.7
Hungary	.5	1.6	.8	5.6
Poland	.5	2.4	.1	2.4
Rumania		.2		.7
Yugoslavia		.4		.4
Middle East	1.6	1.1	12.7	11.7
Ang Egy Sudan	.6	.4		
Egypt	.6	.4	.3	.4
Iran	.1	.2		
Iraq	.3	.1	11.1	9.7
Aden				.1
Oth Br P St n s			1.3	1.5
Other Asia	154.1	134.3	161.8	75.3
Burma		.6	18.0	.5
China	.2	2.1	1.7	5.6
Hongkong	30.4	1.2	24.8	11.2
India	.2	1.5	8.2	9.4
Indochina	5.1	2.6	3.2	.1
Japan	16.2	30.9	87.6	42.2
Malaya Sing	92.9	85.8	2.8	3.0
Sarawak				1.0
Pakistan		.3		
Philippines	3.6	5.4	.1	.1
Thailand	5.2	3.8	11.0	2.2
Asia n s		.1		
Br Asia n s	.3		4.4	
Oceania	15.4	11.4	7.9	5.8
Australia	13.2	8.8	7.8	5.8
New Zealand	.9	1.9		
Oceania n s	1.3	.7	.1	
Other Africa	2.1	2.6	5.8	3.7
Union So Africa	1.3	1.4	.5	.6
Madagascar			1.4	
Mozambique	.8	1.1		
Br Africa n s		.1	3.6	2.9
Fr Africa n s			.3	.2
Miscellaneous	10.2	9.7	.5	.4
Spec Categories	10.2	9.7	.5	.4

CEYLON

Grand Total	165.8	192.1	147.1	152.0
US and Canada	22.8	29.4	4.9	7.1
Latin America	.6	.2		
Dollar Ctsy	.3	.2		
Sterling Area	88.7	101.7	87.2	82.9
OEEC Sterling	50.8	57.9	30.5	31.0
UK Dots	4.3	4.2	9.9	9.3
Other Sterling	34.0	39.6	46.8	42.6
Non Sterl OEEC	12.6	20.0	15.4	18.1
In Europe	12.1	19.6	15.4	18.1
French Dots	.6	.4		
All Other	41.5	40.6	39.7	44.0
North America	23.1	29.6	4.9	7.1
United States	15.3	19.5	3.8	5.4
Canada	7.5	9.9	1.1	1.7
Mexico	.3	.2		
N West Europe	59.8	73.2	42.6	45.6
United Kingdom	50.8	57.9	30.5	31.0
Belgium Lux	.4	.7	4.1	3.3
France	1.1	2.4	1.9	6.8

Trade with	Exports		Imports	
	Jan.-June 1954	Jan.-June 1955	Jan.-June 1954	Jan.-June 1955
Germany Fed Rep	2.8	7.9	2.5	2.6
Netherlands	4.7	4.3	3.6	1.9
Southern Europe	3.1	4.3	3.3	3.5
Italy	3.1	4.3	3.3	3.5
Middle East	8.6	8.3	1.3	6.2
Egypt	8.6	8.3		1.2
Iran			1.3	5.0
Other Asia	25.0	17.4	62.2	59.2
Burma			14.4	7.2
China	17.9	9.6	17.6	11.8
India	5.1	5.3	19.0	21.9
Indonesia			.3	.3
Japan	.7	.9	5.8	9.5
Malay Sing			2.7	2.9
Pakistan	1.3	1.6		3.1
Thailand			1.3	
South Korea				2.0
Br Asia n s			.5	.5
Oceania	20.2	26.8	12.5	10.1
Australia	15.4	21.0	12.5	10.1
New Zealand	4.8	5.8		
Other Africa	7.9	6.3	.3	.3
Union So Africa	7.4	5.9	.3	.3
Tunisia	.5	.4		
Miscellaneous	18.2	26.0	20.1	20.1
Other Clys	14.2	21.3	13.4	14.2
Spec Categories	.1	.5		
Other Br Clys	3.9	4.2	6.7	5.9

HONGKONG

Grand Total	234.7	239.5	319.5	354.5
US and Canada	8.9	12.3	29.9	36.8
Latin America		.1	11.0	3.0
Other Clys			11.0	3.0
Sterling Area	69.6	81.0	75.9	84.0
OECD Sterling	13.8	20.5	33.6	39.9
UK Dots	41.7	46.7	20.2	19.5
Other Sterling	13.5	13.8	22.1	24.6
Non Sterl OECD	10.4	14.4	51.9	46.6
In Europe	6.8	8.7	49.8	43.7
French Dots	3.6	5.7	2.1	2.9
Soviet Area				.2
All Other	146.5	131.4	150.8	184.0
North America	8.9	12.3	29.9	36.8
United States	7.2	9.6	25.2	32.5
Canada	1.7	2.7	4.7	4.3
Central America	2.9	8.0	.1	1.2
Areas n s	1.8	1.8	.1	1.2
Br Clys n s	1.1	6.2		
South America	1.1	1.7	11.1	3.0
Argentina		.1	.3	.7
Brazil			10.7	2.3
Areas n s	1.1	1.6	.1	
N West Europe	20.2	28.9	81.5	80.9
United Kingdom	13.8	20.5	33.6	39.9
Austria			1.1	.5
Belgium Lux	.6	.8	10.3	7.4
Denmark	.5	.6	.7	.5
France	1.1	1.5	3.4	2.6
Germany Fed Rep	2.1	2.7	13.2	13.4
Netherlands	1.0	1.4	7.7	5.4
Norway	.3	.4	1.0	.4
Sweden	.4	.5	1.8	1.6
Switzerland	.3	.3	8.3	8.7
Europe n s	.1	.2	.4	.5
Southern Europe	.5	.5	2.3	3.2
Italy	.4	.5	2.3	3.2
Turkey	.1			
Eastern Europe			2.0	1.3

Trade with	Exports		Imports	
	Jan.-June 1954	Jan.-June 1955	Jan.-June 1954	Jan.-June 1955
USSR				.2
Finland			.1	.2
Areas n s			1.9	.9
Middle East	1.8	2.8	4.0	3.2
Egypt	.1	.3	2.3	.2
Areas n s	1.7	2.5	1.7	3.0
Other Asia	148.2	132.3	142.2	178.7
Burma	3.2	3.1	.8	2.9
Ceylon	.8	1.0	.4	.3
China Taiwan	8.5	3.2	5.2	3.2
China Mainland	31.9	21.4	53.0	70.9
India	1.5	1.7	5.6	4.8
Indochina	3.6	5.7	2.1	2.9
Indonesia	26.6	13.4	3.4	2.9
Japan	9.5	10.5	32.9	44.8
Malaya Sing	28.6	30.6	14.6	13.0
Pakistan	1.6	.5	6.7	6.4
Philippines	4.1	5.4	1.1	.6
Thailand	11.2	14.1	7.1	16.2
South Korea	8.5	15.2	1.3	.7
Asia n s	6.4	4.4	5.6	5.6
Br Asia n s	2.2	2.1	2.4	3.5
Oceania	5.1	6.4	5.8	7.8
Australia	3.7	4.0	5.6	7.6
New Zealand	.6	1.2	.2	.1
Oceania n s	.4	.7		
Br Oceania n s	.4	.5		.1
Other Africa	13.2	11.9	7.4	6.4
Union So Africa	2.1	2.3	2.8	2.5
Africa n s	3.6	4.7	1.5	1.1
Br Africa n s	7.5	4.9	3.1	2.5
Miscellaneous	32.9	34.4	33.2	32.1
Spec Categories	31.0	32.0	33.1	32.0
Other Br Clys	1.9	2.4	.1	.1

ABBREVIATIONS

AMER—American
AM NO CENT OR SO N S—America, North, Central or South, not specified
ANG EGY SUDAN—Anglo-Egyptian Sudan
BEL CONGO AND RU UR—Belgian Congo and Ruanda Urundi
BR—British
CENT AM—Central America
CO—Continental
CTYS—Countries
DOTS—Overseas Territories of Metropolitan Powers
EUR EAST WEST SO N S—Europe, Eastern, Western, or Southern, not specified
FED—Federal
FR—French
LUX—Luxembourg
MALAYA SING—Malaya and Singapore
NETH—Netherlands
N OR NO—North or Northern
NON BR P ST N S—Non British Peninsula States, not specified
N S—not specified
OECD—Organization for European Economic Cooperation
OTH—Other
PC—Percent
REP—Republic
SPEC—Special
SO—South or Southern
TRIN—Trinidad
UK—United Kingdom
US United States of America
USSR—Union of Soviet Socialist Republics
W—West

